

NEWS: EUROPE

Germany urged to restore 40-hour week

By Quentin Peel in Bonn

A LEADING German industrialist sought yesterday to reverse the trend to shorter working hours and called for the return of the 40-hour week. Mr Hans-Peter Stihl, president of the German chambers of industry and commerce, said Germany had the shortest working times, the longest holidays and the youngest pensioners.

Moves to shorten the German working week are still taking place despite growing unemployment. Engineering workers, for example, are due this year to cut their working week from 37 to 36 hours. Mr Stihl conceded unions

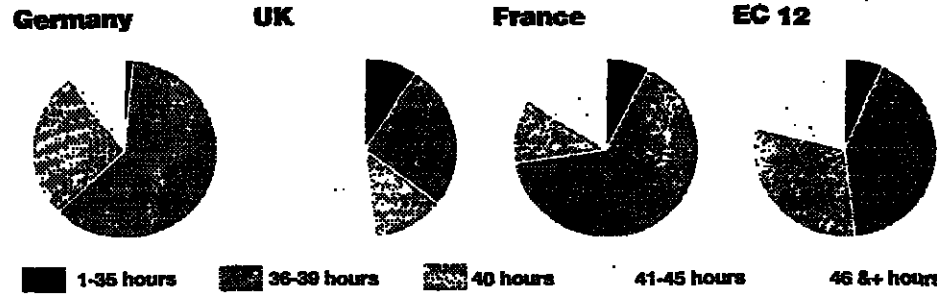
would probably block a return to a 40-hour week, but said there was more chance than of getting Germans to retire later. "Retirement under 60 must become a thing of the past. Otherwise Germany will be sent into retirement in terms of international competition."

Meanwhile, the German government yesterday told employers that its solidarity pact for east Germany was on course, with a supplementary budget and savings package ready to become law by the middle of the year.

Mr Friedrich Bohl, minister of state in Chancellor Helmut Kohl's office, sought to reassure members of the German employers' federation (BDA)

European employment

Full-time workers grouped by hours worked per week



that negotiations with the 16 federal states could produce a deal on sharing the burden of subsidies to the east by mid-March. The financial agreement and the federal states is the most complex item still to be finalised in the proposed

solidarity pact. The other major element where agreement is outstanding is a deal with unions to slow the growth of wages in east Germany, in exchange for government subsidies to keep traditional industries in operation.

Mr Bohl told the BDA that the government would put its savings package - intended to save up to DM200n a year by 1995 - and its supplementary budget to cabinet on March 4.

He said the government was still ready to compromise on the details when it would meet the 16 states for a two-day session of talks on March 11-12. He urged state premiers to show a similar willingness to find common ground.

EC plans stir up motorcycle hornets' nest

By John Griffiths

A EUROPEAN Commission draft directive, which, in effect, dictates to motorcycle manufacturers the detailed design of their engines, and even the type and quality of metals they may use for some components, is causing an outcry throughout the industry and among user groups.

The directive, so detailed that it specifies such engineering parameters as gasket thicknesses, inlet port design and ignition system operation, is intended to prevent owners "tuning" their machines to obtain more power.

But it would have an impact, with as yet unforeseen effects, on the design, development, marketing and other commercial fortunes of all manufacturers seeking to sell their machines in the EC.

manufacture make up an addendum of six closely-typed pages.

Mr Sanderson's remarks came as the European parliament was resuming the first reading of another motorcycle-related bill, under which the Commission is seeking to adopt a directive restricting motorcycles to no more than 100 brake horsepower.

If adopted, this would prohibit the sale in EC markets of the more powerful machines produced by some European manufacturers, as well as the big Japanese makers, Honda, Yamaha, Suzuki and Kawasaki who dominate the world's motor cycle markets.

Austrian banker attacks UK devaluation

By David Gardner in Strasbourg

AUSTRIA'S central bank governor yesterday joined the attack on "competitive devaluations" by some EC member states - led by the UK - describing any consequent benefits for export industries as "a flash in the pan".

Dr Maria Schaumayer, addressing the currency conference of the European Parliamentarians and Industrialists Council in Strasbourg, praised the Franco-German co-operation in defence of the franc.

Dr Schaumayer said the devaluations could be a threat to the single market. For example, member states would not readily take Japanese cars from another state which had made them cheaper through devaluation. Britain, Italy, Ireland, Spain and Portugal have all been forced to devalue in recent months.

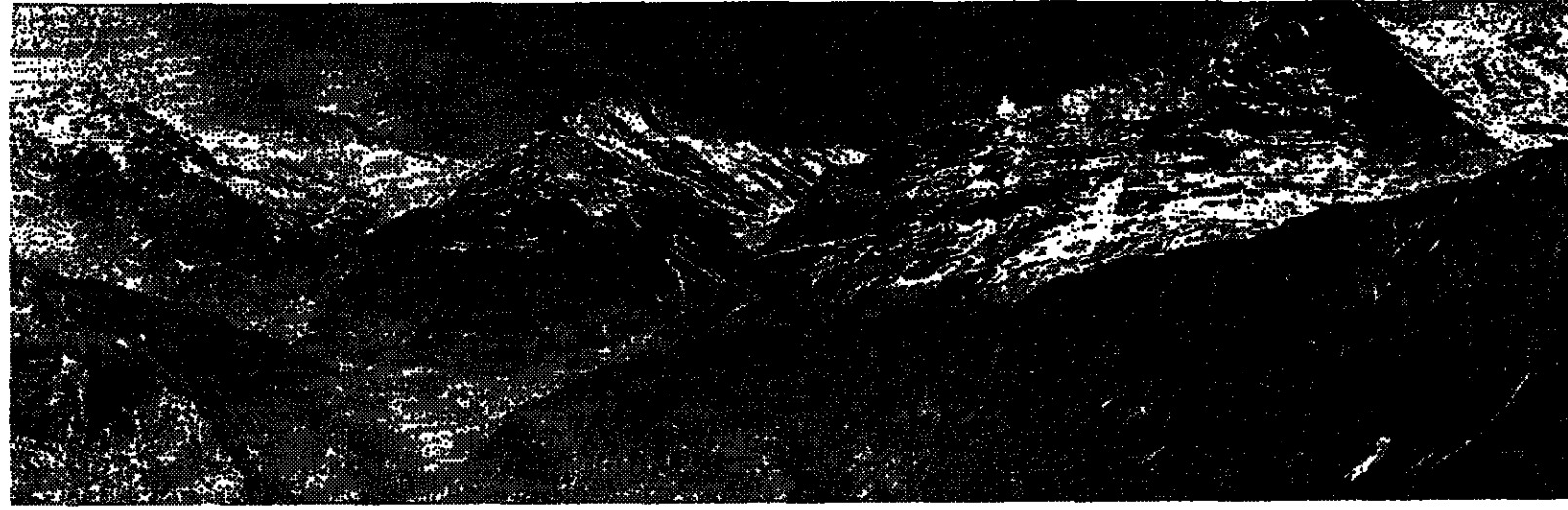
Austria's schilling is pegged to the D-Mark, and has appreciated slightly against it over the past 11 years; since chaos erupted on currency markets last September, there has been an inflow of capital into the schilling, Dr Schaumayer said.

Austria last week opened negotiations on joining the EC and hopes to be a member by 1995. It would be a candidate to join the "hard core" states of Germany, France and the Benelux countries were they to opt for limited monetary union without the other EC members.

Dr Schaumayer's comments follow a recent attack by French prime minister, Mr Pierre Bérégovoy, on Britain for pushing down the value of the pound at the expense of other EC states.

The European parliament's monetary affairs committee is also underlining the threat to the single market, the ERM and Ecu from competitive devaluations.

In a report, Dutch socialist Euro-MP Almar Metten, calls for a big EC growth package, and urges member states to agree with the US and Japan "target zones for currency parties of the dollar, yen, Ecu or D-Mark."



In Switzerland's mountain fastness Europe's problems seem a world away as stocks rise, interest rates fall and flight capital returns

Business as usual for Euro-free Swiss

FOR THOSE who believe that markets are always right, the Swiss made a brilliant decision last December in rejecting a plan to move closer to the European Community.

Since the no-vote in the referendum on joining the European Economic Area (EEA), and contrary to the expectations of most analysts, the stock market has risen more than 10 per cent. Swiss interest rates have fallen by more than a point, the Swiss franc is firm and flight capital is flooding back into the country.

Even shares of middle-sized, export-intensive machinery companies, which many said would be hard hit if the country excluded itself from the European single market, have performed well.

Government and business leaders remain worried about the dangers of isolation. Swiss scientists have already received letters from Brussels advising them that they must abandon their seats on European project planning committees. Swissair, the national airline, is suddenly contemplating mergers with EEA-based airlines to ensure it retains fair access to airports in EC cities. And exporters fear that customs officials in EC countries will deliberately entangle incoming Swiss goods in red tape.

But for the moment, the predominant sentiment in most quarters appears to be a puzzled relief that the negative vote has not yet brought any negative consequences.

Fears of splendid mountain isolation proved unfounded, writes Ian Rodger

Apart from economic worries, there was, in the immediate aftermath of the vote, concern about the sharp divide it exposed between French-speaking Swiss, who massively supported the EEA, and German and Italian speakers, who opposed it.

There were comical scenes in parliament in December with anxious German speakers trying to assuage their fellow citizens by deliberately speaking stilted French. The federal government quickly promised more motorway construction in Romandy and civic leaders in Lucerne launched a "Salut les Romands" programme, inviting French Swiss to stay in the city's hotels for half price.

While the linguistic cleavage remains worrying, it has been softened somewhat by closer analysis of the voting, revealing that the German and Italian Swiss were not giving vent to any anti-Romand sentiment. It was rather a case of still not wanting to get too close to their formerly belligerent neighbours, Germany and Italy.

There were also important divisions between city and country - all the main cities in German-speaking Switzerland produced majorities in favour of the EEA - and between those, such as farmers

and merchants, who benefit from subsidies and other forms of protection from foreign competition, and those who do not.

Perhaps the surprise, one western diplomat said this week, is that so many Swiss - only a fraction under 50 per cent - voted in favour of the

Economists are beginning to talk about a recovery late in the year

EEA. A couple of years ago, the notion that Switzerland should move closer to the EC would have been overwhelmingly rejected. As recently as 1986, a majority vetoed a government recommendation that the country join the United Nations.

The relative strength of the pro-European vote is one reason the government feels it need not jettison its pro-EC integration policy. Mr Adolf Ogi, the president, has flatly refused the demand of Mr Christoph Blocher, the charismatic anti-EC leader, that the country's application to join

the EC itself be withdrawn, even though he admits that it is unlikely to be acted upon for several years.

The government's strategy now is to bring Swiss law and practices into harmony with those of the EC that it would have had to do if it joined the EEA. It hopes that neighbouring countries will recognise these moves and that Swiss people and exporters will not face discrimination in EEA countries.

But it is unlikely that the so-called Eurolex package of some 60 measures will pass intact. Car dealers, construction contractors and scores of other entrepreneurs who benefit from high levels of protection will fight it all the way.

Bern will also seek bilateral negotiations with the EC on the most pressing matters, such as air traffic and some technical trade issues. But Swiss officials are under no illusions about the difficulties they face. As representatives of a small country, they have little bargaining power with the EC. They will not even be able to complain publicly if Brussels is intransigent for fear of reinforcing anti-EC sentiment among the Swiss public.

For their part, EC officials have made clear that they are not willing to negotiate a bespoke EEA just for Switzerland.

On the political front, EEA advocates have already launched petition campaigns to oblige the government to hold another referendum in the near future. But even strongly pro-EC political leaders agree that it would be insulting to the people to stage another referendum quickly, and the result would probably be counter-productive, not just in Switzerland, but also in Europe.

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"We think that Europe cannot afford any more negative votes," says Mr Bruno Spinner, head of the government's integration bureau.

Cynics say that the next vote should not be held until unemployment, already at post-war record levels, has become much worse and several Swiss companies have announced plans to shift production to EC countries.

But all this is hypothetical. Swiss financial markets are in fine shape and economists are beginning to talk about an economic recovery late in the year.

Mr Kurt Schiltknecht, president of BZ Trust and a former central bank economist, shrugs off exporters' worries. He points to the remarkable recovery of the watch industry in the past decade and concludes, "Swiss manufacturers always perform well under pressure."

If he turns out to be right, the need and the desire to move closer to the EC could recede indefinitely.

G7 ministers set for London talks

By Peter Norman, Economics Editor

FINANCE ministers from the Group of Seven leading industrial countries will meet in London on February 27 at the invitation of Mr Norman Lamont, the UK chancellor.

The UK Treasury announced yesterday that the meeting, which will also be attended by G7 central bank governors, would be informal, "with no expectation of decisions or initiatives", and that the ministers did not intend to issue a communiqué afterwards.

The ministers and governors are expected to discuss how best to boost activity in the world economy when recovery in the UK is uncertain and the economic outlook for Japan and continental Europe is bleak. While the G7 has reason to be pleased about signs of recovery in the US, America's trading partners may express concern about signs of protectionism in Washington since the Clinton administration took office. The problems of

Russia may also be raised in the talks.

Mr Lloyd Bentsen, new US treasury secretary, has actively sought a meeting with his colleagues from Japan, Germany, Britain, France, Italy and Canada before the next scheduled G7 gathering on April 29 in Washington. Mr Bentsen has said he wants to breathe new life into the group, which in recent years has tended to be a forum for bickering rather than co-operation.

The London meeting will be a first opportunity for Mr Bentsen and Mr Yoshiro Hayashi, the recently-appointed Japanese finance minister, to meet the other G7 finance ministers. It is unusual but not unprecedented for the G7 to meet without issuing a communiqué. The most recent occasion was in 1989.

The finance ministers' meeting will not be concerned with preparations for the next economic summit of G7 leaders in Tokyo from July 7 to 9. This is the responsibility of senior G7 officials, known as "sherpas".

Greek-Cypriots feel effects of economic heat

By Kerin Hope in Nicosia

GREEK-CYPIOT hoteliers are complaining that bookings have fallen sharply this year, but the island's economic planners admit a sense of relief.

Last year's record tourist season, marked by a 43 per cent jump in arrivals to just under 2m, pushed up gross domestic product by between 7.5 and 9 per cent. With tourism contributing about 20 per cent of GDP, a leaner year should take some steam out of an overheated economy.

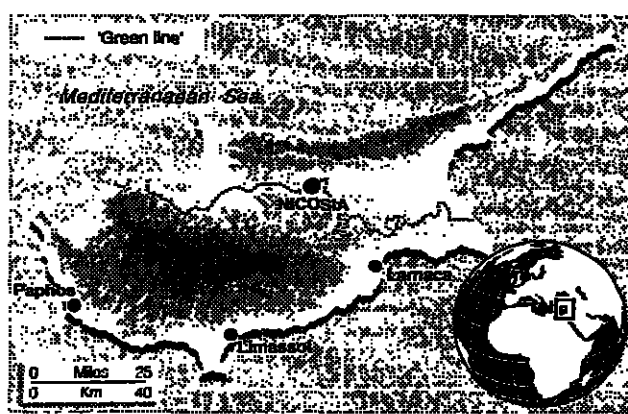
"We're already too dependent on tourism," says one official. "We reached a ceiling last year. We don't have the resources - workers, water, beaches - to cope with more people."

GDP growth this year should

fall below 4 per cent, provided there is no last-minute flood of bookings. The travel industry claims the Cyprus pound, pegged to the Ecu since last summer, is too strong to be competitive in the British package holiday market, the main source of visitors.

The clothing industry, the other main foreign exchange earner, is also in trouble because of the strong Cyprus pound. Orders from Britain, the largest customer, are shrinking. One big Greek-Cypriot manufacturer has moved to Jordan to take advantage of cheaper labour costs.

The island's labour shortage has grown so acute that strict immigration rules have been relaxed. The workforce increased by about 5 per cent in the past year, with the



arrival of more than 12,000 east European and Asian workers on short-term contracts at wages well below the Greek-Cypriot average.

Nonetheless, labour costs

6.5 per cent, the highest level for almost a decade.

This year, inflation is projected to drop to 4.5 per cent as the central bank tightens a credit squeeze. The commercial banks have been threatened with severe penalties if the country's liquidity drop below official limits is continued. But the central bank has comparatively little room for manoeuvre as the government is still unwilling to lift a 45-year-old law, a relic of British colonial days, that puts a 9 per cent ceiling on interest rates.

Demand is forecast to shrink, after a desperate rush to acquire cars and household appliances before VAT was imposed. Imports rose by almost 20 per cent last year, with the current account defi-

cit widening to C\$114m (\$30m), equivalent to 3.5 per cent of GDP.

This feverish prosperity is not matched in the north of the island, where the Turkish-Cypriots are heavily dependent on aid from Turkey, estimated to cover about 40 per cent of budget outlays. They have a per capita income less than a third of the Greek-Cypriot level of around \$12,000.

An independent economist points out that reuniting Cyprus in an arrangement that would promote economic co-operation with the north would make room for more tourists and allow Turkish-Cypriots to join the workforce. But, without a settlement, the prospects of attracting investment to help diversify the economy would be limited.

Poland agrees to take back refugees

By Judy Dempsey in Berlin

POLAND yesterday agreed to take back refugees rejected by Germany, but both countries failed to decide how Warsaw would deal with tens of thousands of refugees once the German parliament amends its liberal asylum laws.

Mr Jerzy Zimowski, Polish deputy interior minister, said in Bonn Poland needed financial aid and advice on improving border security while Polish government officials accused Germany of "exporting" its refugee problem.

But Mr Johann Vöckler, Germany's state secretary at the Interior Ministry, hailed the agreement as a "crucial step" towards pushing through

the constitutional amendments to the asylum law, agreed in principle by the country's main political parties last December. The amendments would allow Germany to send back refugees who are not genuine asylum-seekers to a safe third country. The opposition Social Democratic party and the United Nations High Commissioner for Refugees have said Poland, the Czechs and Slovaks have no infrastructure to deal with refugees.

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Russian bank and government squabble as inflation soars

By Leyla Boulton in Moscow

RUSSIA'S government and its central bank are engaged in a fierce war of words over who is responsible for the economic deterioration, as the country teeters on the brink of hyperinflation.

Mr Anatoly Chubais, vice-premier for privatisation, yesterday hinted that President Boris Yeltsin would take action against the central bank after accusing it of "adventurism". Mr Viktor Gerashchenko, the central bank chairman, retorted in parliament to which he is officially account-

PRESIDENT Boris Yeltsin said yesterday he was prepared to drop plans for a controversial referendum on whether the president or parliament should rule Russia, writes Leyla Boulton.

After Mr Valery Zorkin, the chairman of the Constitutional Court, and heads of republics within the Russian Federation added their voices to opposition to the poll, Mr Yeltsin said: "Let us proclaim 1993 the year of a

able - that he had only created money at the government's request.

At the heart of the dispute is the question of central bank independence.

moratorium on all political fist-fighting and other major political events. Let us deal with the economy. This is the main thing that can rule us."

The referendum plan was born of a complicated compromise at last December's Congress of People's Deputies between the president and parliament to try to break Russia's constitutional impasse. However, Mr Ruslan Khasbulatov, powerful chairman of the

cutting off funds to the government and stopping the flow of cheap credits to industry.

He says "a balancing act" against hyperinflation has "no chance" unless Mr Gerash-

chenko sets targets that are in line with the government's anti-inflationary goals. He also wants it to increase its discount rate, now at 80 per cent, to a "market rate".

"The central bank should be renamed 'development bank... they do not want to act like central bankers," he told the Financial Times.

"They should be providing me to cut the budget deficit, not me telling them what the discount rate should be."

But there would be severe social and political consequences of such a tough policy, and the central bank does not want to take the blame.

"Somebody will have to take the responsibility," Mr Alexander Khandruyev, a deputy governor of the central bank, said in an interview yesterday. "If

we don't give credit to the Moscow power station to pay salaries, the lights will go off in this office tomorrow."

The government, whose various ministries have sanctioned many of the credits to enterprises, must also keep good its promises to start structural reform of the economy.

While he does not believe it is realistic to expect lots of inefficient enterprises to close, Mr Fyodorov is determined to do his share. He wants to restrict state spending, increase revenues and force enterprises to make efficient use of state help.

NEWS: INTERNATIONAL

Keating woos women and business

By Enlite Tazawa
in Melbourne

MR Paul Keating, the Australian prime minister, yesterday launched an election campaign package, promising to cut the company tax rate from 39 per cent to 33 per cent. He also offered a 10 per cent investment allowance for purchases of plant and equipment by small and medium businesses. And for working women, Mr Keating proposed a 30 per cent cash rebate, claimable every week, for work-

lated child care.

Mr Keating hopes the business incentives will encourage private investment and help cut unemployment. But he is also targeting his weakest electoral spots: business and women voters.

The company tax cuts will put a further strain on the government budget.

Mr Keating's 95-page package includes a revised forecast for the 1992-1993 budget deficit, which is now expected to rise to \$315.9bn (£7bn) from the previous forecast of \$313.5bn.

The expected rate of economic growth has also been scaled down from 3 per cent to 2.5 per cent.

Mr Keating said the package would add \$469.2m to the 1993-1994 budget and \$397m in 1994-1995. He proposes to fund the package by selling a further 19 per cent of the government's stake in Commonwealth Bank. This would earn the government \$31bn but its total holding would fall from 70 per cent to 51 per cent.

He also proposes to bring forward the collection of company

taxes.

With a new set of incentives, Mr Keating hopes to woo a large section of the business community who openly support the tax and industrial relations policies proposed by the coalition of the conservative Liberal and National parties.

The conservative opposition, led by Mr John Hewson, is campaigning on a new goods and services tax and the abolition of seven business taxes, including the payroll tax. Mr Hewson said he did not

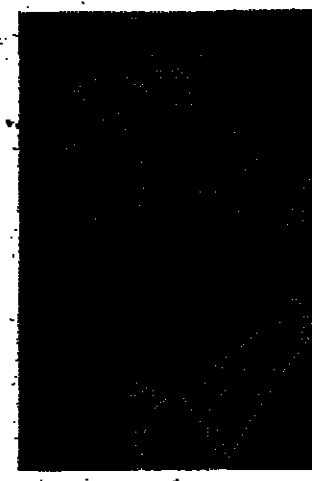
believe the ruling Labor party could deliver the promised package. He said the government would not be able to raise the money, in the same way that it found it difficult to meet the personal tax cuts promised last year.

Mr Hewson is expected to launch his own election campaign platform in a few days. The business community was not been impressed by Mr Keating's bait. Mr Ian Spicer, head of the Australian Chamber of Commerce and Industry, said the tax breaks alone

would not cure unemployment. He said the package overlooked the problem of industrial relations.

"I don't believe we'll see any marked improvement in employment in the short term if these are the only initiatives presented by the government," he said.

Mr Rob Easton of the Council of Small Business Organisations of Australia said he was aghast at the government's plan to "claw forward" its collection of bank of business taxes.



Keating: company tax cuts

Hyundai founder retires as party leader

By John Burton in Seoul

MR Chung Ju-yung, the founder of South Korea's Hyundai business group, yesterday announced his retirement from politics following his recent indictment for election violations in the December presidential polls.

Mr Chung had appeared demoralised by the weekend indictment, and stayed away from the United People's party's (UPP) first anniversary celebration on Monday.

But "he told me he was at ease now," said his son, Mr Chung Mong-joon, who is an MP for the UPP.

His sudden departure as chairman of the UPP will probably lead to its dissolution. UPP officials admitted it was unlikely that Mr Chung would continue to fund the party from his estimated \$4bn (\$2.6bn) fortune, depriving the group of its main financial source.

"I will no longer engage in politics," Mr Chung said yesterday in a brief statement to MPs at the UPP headquarters, which is already being vacated. "Instead, I will work for the economy."

Mr Chung, who described Mr Kim Young-sam, the next Korean president, as an "idiot" during the election, also apologised for criticising his opponents. "I should have regarded them as partners and praised them."

He gave no indication if and when he would give up his parliamentary seat, although he is still expected to leave the National Assembly shortly.

"Chairman Chung was already losing interest in politics even before the indictment because he was defeated for president, which was his main goal," explained a senior UPP official.

"He couldn't accept remaining in politics if it only meant being a legislator in the National Assembly."

Mr Chung finished third in the presidential election, while the UPP is the third biggest party in the National Assembly, holding 11 per cent of its seats, following parliamentary elections last March.

If the UPP collapses, most of its MPs would become independent members or join either the ruling Democratic Liberal party or the main opposition Democratic party.

Mr Chung was indicted on Saturday on charges of receiving more than \$60m in illegal campaign funds from Hyundai Heavy Industries (HHI), his group's shipbuilding unit. He claims the money came from the sale of shares in HHI.

Prosecutors said they would continue legal proceedings against Mr Chung in spite of his political retirement.

His departure from politics, however, reduces the chances that the government will conduct reprisals against Hyundai as it did last year when Mr Chung formed the UPP to challenge the government's tight control over business.

The share prices for most of the 19 listed Hyundai companies rose at the news of Mr Chung's retirement.

Hyundai officials suggest that his future role will be to develop overseas business by serving as a roving ambassador for the group.

Mr Chung retired as the Hyundai chairman in 1987, although he and his family retain majority control of the conglomerate, the biggest in Korea.

Japanese employers urged not to cut jobs

By Charles Leadbeater
in Tokyo

THE Japanese government yesterday underlined the seriousness of the economic downturn by taking the unusual step of formally asking companies not to shed labour.

The move shows how worried the authorities have become that there could be a sharp rise in unemployment as economic growth slows.

The labour ministry's call is the latest in a series of government moves to modify business responses to the downturn. Earlier this week, banks were formally asked not to restrict lending to smaller companies, and financial institutions have been asked not to sell shares to help prevent further falls on the Tokyo stock market.

The next few months will test whether the bureaucracy still possesses the authority it used to have over the private sector to enforce such guidance.

Mr Kunihiko Saito, chief of the labour ministry's employment security bureau, asked a meeting of business leaders to refrain from cancelling plans to employ new graduates and retire older workers.

Mr Saito told the group: "Labour adjustment by such means will create great worries over employment in the whole of society. We want you to do your utmost to keep workers employed." He warned that job losses would undermine society's trust in companies.

The unemployment rate, which was 2.5 per cent for most of last year, rose to 2.4 per cent in December.

A growing number of companies have announced recruitment freezes and plans to lay off older workers to cut costs and boost profitability. Within the last week alone Eastman Kodak, the film company, Omron, the electronic goods maker and Minolta, the camera manufacturer have announced plans to trim about 4,000 jobs over the next few years.

The weakened state of the economy was spelt out by a clutch of official statistics.

Bank lending in January grew by just 2.0 per cent, the same rate as the previous two months. The low growth in bank lending means the Japanese money supply is likely to continue to contract.

Japan's machine tool orders last year fell by 37.3 per cent on the previous year to ¥710bn (\$3,766m) largely because of a slump in private sector capital investment. Private sector machinery orders, which have been fluctuating wildly in recent months, fell by 6.2 per cent in December, according to figures published by the Economic Planning Agency.

EPA officials said they were extremely cautious about the outlook for machinery orders.

Meanwhile the fall in Tokyo land prices is accelerating, according to a National Land Agency survey. In the final three months last year land prices in central and north-eastern Tokyo fell by 25 per cent a year, after falling by 20 per cent in the previous quarter.

The land price fall is one factor behind a marked pick-up in sales of cheaper condominiums in Tokyo and Osaka, which suggests that some parts of the property market are beginning to recover strongly. The Real Estate Economy Institute, a private sector research group, said the number of condominiums put on sale in the Tokyo area last month rose by 24 per cent to 1,369 compared with the same month last year.

About 77 per cent of the condominiums were contracted for sale, a marked increase on last year. But this was mainly because the average condominium price had fallen by 25 per cent to ¥44m.

Iraq muddies water of Turkey-Syria dam deal

IRAQ's recent threat to take legal action against foreign contractors on a Turkish dam project was more than just another warning shot across the bows of Ankara's multi-billion-dollar south-east Anatolian project. The outburst is seen as an indication of growing concern in Baghdad at the possibility of a water deal between Turkey and Syria which could leave Iraq high and dry.

Iraq's anxiety follows the recent accord signed in Damascus committing Turkey and Syria to find a "final solution" to the allocation of the Euphrates river this year. Some diplomats in Ankara discount the move as yet another "agreement to disagree". However, for both countries, there seems to be a simple reason to push for a more permanent settlement to this long riparian dispute.

Ankara's control of the Euphrates and the Tigris rivers, both of which rise in its central highlands and flow into the Gulf, has long soured relations with its Arab neighbours. Turkey's irrigation project, known as Gap, has been the main bone of contention - in

John Murray Brown on threats over Euphrates project

particular, its plans to irrigate 1.7m hectares along the Syrian and Iraqi borders.

Turkey has long resisted calls for a more comprehensive solution, reluctant to become embroiled in the disputes of Syria and Iraq, which in the mid-1970s came close to open conflict.

With Iraq's continuing international isolation, any deal with Syria would undermine the case for an internationally ratified agreement on the water issue.

Modest progress on the security front helped pave the way for the Damascus accord, in particular Syria's assurances to curb Turkish Kurd separatists on its territory.

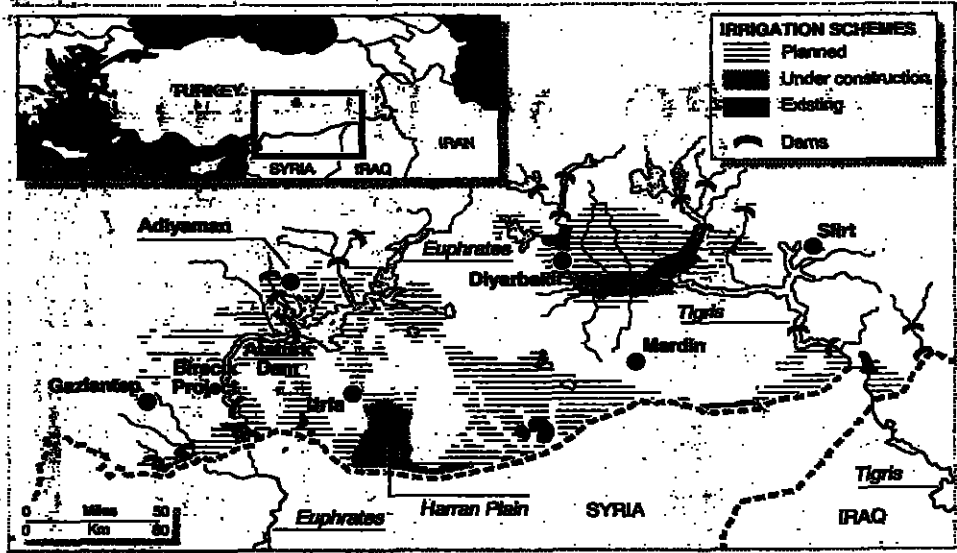
There was also a technical reason for the meeting. In 1987

Turkey agreed to guarantee to Syria a discharge of 500 cu m a second, where the Euphrates crosses their border. Under that agreement, Turkey was committed to review the water allocation, once the reservoir behind the vast 54m (£2.6bn) Ataturk dam was filled. That day has arrived.

But more than that, western diplomats say Turkey's decision to push for a deal is a measure of the desperate financial constraints facing the Gap project. Hitherto, the World Bank and other donors have refrained from supporting the project directly because of the outstanding water issue.

According to western officials, only if Turkey solicits international finance can it afford to invest in the more costly water conserving equipment, an issue vital for the downstream users. That will only happen if a solution can be found to the dispute.

Donors now believe the day of financial reckoning is fast approaching. The Gap has already consumed \$3bn, much of it financed from the state budget. By next century, when the irrigation infrastructure



and the 21 dams and 19 power plants are in place, the project will have cost a heady \$22bn.

As Turkey prepares to irrigate the first hectares on the Syrian border in May, the need to address the issue has acquired a new urgency. Turkey will want to reassure the Syrians of continued co-operation, although the Turks seem unlikely to agree to Syria's demands to increase the water supply.

Iraq's latest snipe may thus cause a few ruffled feathers for the commercial banks and export credit agencies now

being approached to finance the DM22bn (\$333m) Birecik project.

The consortium led by Philip Holzmann of Germany has been quick to point out that there are no plans for irrigation, only hydro-electric generation. In addition, the Turks argue that Iraq has already given implicit approval to the project, having signed up to a separate plan linking the power grids of Turkey and its Arab neighbours: the Birecik plant is the first stage of this five-country project and would transmit power to the Syrian city of Aleppo.

Singapore seeks to be more competitive

By Kieran Cooke in Singapore

SINGAPORE is introducing a 3 per cent goods and services tax (GST) and promised significant cuts in corporate and personal taxes in a budget at the end of this month.

Mr Richard Hu, minister of finance, said it was vital that Singapore reduce its direct

taxes in order to maintain its long-term competitiveness. It was also important for Singapore to broaden its tax base.

"The whole idea is to make us more competitive," said Mr Hu. "The government does not need the additional revenues... our fiscal position is very healthy." Singapore runs a budget surplus and, at 47 per

cent of GDP, has one of the highest savings rates in the world. It has foreign exchange reserves officially put at \$40bn.

The government hopes that by introducing its new tax regime, with lower direct taxes, Singaporeans will be encouraged to invest overseas. Government leaders have bemoaned the lack of Singa-

poan entrepreneurs willing to look at business opportunities abroad, particularly in China.

The government said the lower corporate taxes would partially offset Singapore's high labour and land costs.

It said the GST would be held at 3 per cent for at least five years after its introduction in April 1994.

NEWS IN BRIEF

Taiwan plans oil privatisation

Taiwan is drawing up plans to privatise its national oil company, the government's Commission of National Corporations said yesterday. Reuter reports from Taipei. It plans to sell a majority stake in Chinese Petroleum, which has a monopoly on oil imports and processing, a commission spokesman said. The government has also decided to privatise Taiwan Power, the state-run electricity supplier, Taiwan Fertiliser and Taiwan Salt Works, he said.

Loans for riot-hit business

The Reserve Bank of India, the central bank, yesterday said it would help businesses hit by recent communal riots across the country, Reuter reports from Bombay. The bank told commercial banks to extend credit limits for companies affected by the Hindu-Muslim bloodshed by 25 per cent.

Cambodia UN office attacked

Prince Norodom Sihanouk, Cambodia's head of state, returned home yesterday as UN peacekeepers investigated an overnight attack on his office in the north-west of the country that left five Cambodians dead and 16 injured, AP reports from Phnom Penh. Forty unidentified troops launched a three-hour attack late Monday night in Bagan district, about 185km north-west of Phnom Penh.

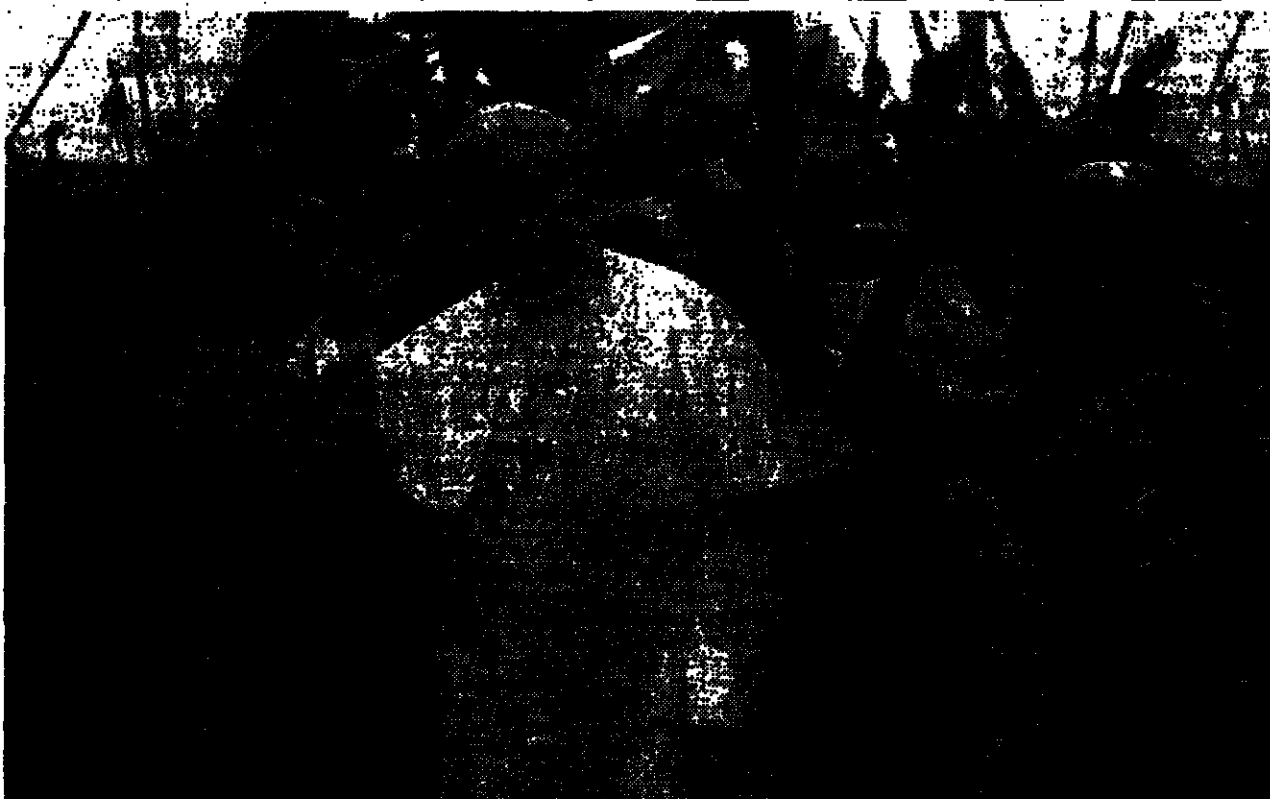
Firing rocket launchers and small firearms, the troops attacked the homes and offices of UN district officials, civilian police and electoral staff, a UN spokesman said yesterday.

Togo peace talks break down

Talks aimed at rescuing the west African state of Togo from bloodshed and crisis broke down yesterday and were suspended indefinitely, French Co-operation Minister Marcel Debarge said, Reuter reports from Colmar.

He said representatives of hardline President Gnassingbe Eyadema left Colmar in eastern France during the night, after talks with the country's pro-democracy movement collapsed. The Franco-German-sponsored meeting had brought together the country's five leading political groups.

Togo's foreign minister, Mr Ouattara Natchaba, had earlier accused France of threatening military intervention, and said the army should be given a say if Togo's problems were to be solved.



The Pope waves before celebrating mass in the northern Ugandan town of Soroti yesterday. He is on an eight-day visit to Africa.

Now Zambia points way to fiscal rectitude in adversity

HAVING provided a rare African example of successful transition from one-party rule to multi-party politics, Zambia may be offering another important pointer for the continent: how to balance the budget in adversity.

Describing the country's inflation record - 307 per cent in the year to December - as "totally unsatisfactory", Mr Emmanuel Kasonde, finance minister, last week unveiled a disinflationary, balanced budget.

If he can make it stick, it will go a long way towards promoting sustained recovery in an economy sapped by mismanagement and weak prices for its main export, copper.

Failure, however, will reinforce the view that, without additional resources, economic recovery is beyond the reach of even the best-intentioned African governments. It will also undermine the government of President Frederick Chiluba, which swept to victory in the

Tony Hawkins on a hoped-for economic example to follow a multi-party political one

elections in October 1991.

The year has not started well. After severe drought last year, maize production should recover strongly from the 1992 crop of only 5.2m bags (of 90 kg), compared to 12.2m in 1991. But the mid-January dry spell has raised fears of another mediocre season.

Meanwhile, the copper price, which averaged 103.5 US cents a lb last year, seems set to stagnate for much of 1993.

Money supply also doubled during 1992, with government borrowing from the Bank of Zambia and the commercial banks, up by 81 per cent, accounting for 55 per cent of the increase in bank lending.

If Mr Kasonde gets his way this will change drastically during 1993. "The budget," he told MPs, "has been framed so that financing comes first; expenditure is the residual."

ZAMBIA: KEY INDICATORS COMPARED WITH ZIMBABWE (1992)

	Percentage p.a. Zambia	Zimbabwe
Real GDP growth	-2.8	-9
Decline in agricultural output	-38.0	-35
Inflation	307.0	49
Money supply growth	99.0	19
Budget deficit (% of GDP)	2.2	11

— though well down on the anticipated 350 per cent recorded in the first quarter. Money supply also doubled during 1992, with government borrowing from the Bank of Zambia and the commercial banks, up by 81 per cent, accounting for 55 per cent of the increase in bank lending.

If Mr Kasonde gets his way this will change drastically during 1993. "The budget," he told MPs, "has been framed so that financing comes first; expenditure is the residual."

The Bank of Zambia will simply say no when govern-

ment ministries seek to overspend. Extra revenues that might arise from "higher than programmed inflation" will not be spent. Treasury bill borrowings will be used to roll over existing debt, while government plans to repay "much of its outstanding" domestic commercial bank debt.

The Zambian track record suggests that they mean what they say. Last year, despite a 2.8 per cent fall in real GDP, a 36.3 per cent decline in farm output and inflation of more than 200 per cent, the government was able to cut the bud-

get deficit from the 7.4 per cent of GDP inherited from the Kaunda administration in 1981, to only 2.2 per cent, or 0.3 per cent if drought-related spending is omitted.

This year, the spending target will rise 80 per cent to K231bn (\$630m).

A debt-relief agreement last July with the Paris Club of official creditors, whereby debt-service costs were reduced by some \$270m a year in the three years to 1995, will contribute substantially towards budgetary savings.

But some bitter political battles are looming. Mr Kasonde has a fight on his hands on public spending, on wage increases, and over civil service retrenchment - with some analysts suggesting that 50,000 people, or half the civil service, will have to be laid off.

He hopes that effective tax cuts, achieved by raising thresholds substantially and

years ago, and the assertion that government no longer has a role to play in fixing the exchange rate, are all givings to the private enterprise mill.

Some perspective can be gained too from a comparison with Zambia's far more industrialised and prosperous neighbour Zimbabwe, which like Zambia suffered from severe drought in 1991-1992 and which is also undergoing structural reform, albeit in a far more leisurely manner.

But these impressive achievements and worthy intentions will prove inadequate to the task of rebuilding the economy unless private sector investment recovers strongly. That is not going to happen without substantial public sector investment in the infrastructure, especially transport, education and training.

These are long-haul strategies which means that the Zambian recovery, when it comes, will be slow.

John Murray Brown

NEWS: THE AMERICAS

Clinton carries out pledge to ensure government makes do with less

White House staff cut by 25%

By Jurek Martin, US Editor, in Washington

PRESIDENT Bill Clinton fulfilled a campaign promise yesterday by announcing a 25 per cent reduction in the White House staff, proclaiming that "government must do more and make do with less".

The cuts, to take effect by October 1, the start of the next fiscal year, will reduce the number of those in the office of the president to 1,044 from the 1,394 on the payroll at the end of the Bush administration.

Estimated savings, including salary cuts of 6-10 per cent and the elimina-

tion of other perks such as unlimited newspaper subscriptions, are put at about \$10m a year. Other departments and agencies are expected to announce cost savings as part of Mr Clinton's broader goal of eliminating 100,000 federal jobs out of about 3m.

Announcing the cuts, Mr Clinton said: "This is one of the few times in history that any president has actually shrunk the size of the White House staff". It would lead to "leaner, more effective government".

Mr Mack McLarty, the White House chief of staff, said the president himself would make do with 10 per cent fewer senior aides. He added

that the reductions were designed to send "a strong message" to other departments and to Congress that sacrifices would have to be made in the interests of cutting the federal deficit.

Exempt from the cuts announced yesterday are staff at the Office of Management and Budget and the trade representative, who together employ about 800 people. Though traditionally part of the White House structure, the heads of both enjoy cabinet rank and will, therefore, have to come up with economies similar to other departments.

Actual redundancies will be minim-

ised. Nearly 300 of the existing White House staff are career civil servants on secondment from other agencies and will return to their departments. Hardest hit is the drug policy office, mostly filled with political appointees, which will come down in size to 25 people against 145 under President Bush. However its chief, when appointed, will be elevated to cabinet rank, Mr McLarty said.

Among other symbolic changes, henceforth only three senior aides - the chief of staff and the national security adviser and his deputy - will be automatically entitled to use White House chauffeured limousines.



Bill Clinton: 'Government must do more and make do with less'

Venezuela plans to sell off four power companies

By Joseph Mann in Caracas

THE VENEZUELAN government, in an effort to reactivate its stalled privatisation programme, is focusing its attention on selling off four electric power companies this year.

Mr Julian Villalba, head of Venezuela's privatisation programme, said this week the government hoped to obtain as much as \$1.4bn this year by selling its shares in Planta Central, a large electric generating facility, and Envelsen and Enelbar, two regional power generation and distribution companies.

The administration also has plans to sell the state-owned electric company that serves the resort island of Margarita. The administration of President Carlos Andrés Pérez obtained over \$2bn from privatisation in 1991, but saw sales of state assets decline steeply last year, when rebellious military units staged two attempted coups d'état.

The government, eager to

obtain money from privatisation to help cover a large fiscal deficit projected for this year, may find it hard to sell important state-owned assets.

Venezuelans are scheduled to elect a new president and national congress next December, and it is still not clear if the next government will pursue the unpopular economic reforms initiated by Mr Pérez in 1989.

The outlook for possible investors in Venezuela's electric power sector improved late last year after the government approved a series of staggered increases in residential and commercial power rates scheduled to continue after a new administration takes office in 1994.

Aside from the electric power companies, the government also hopes to sell other state-owned assets this year, including an airline, horse-racing tracks, hotels, sugar mills and perhaps some of its remaining shares in the national telecommunications company, CANV.

Bill and Al go on the road again

BILL Clinton and Al Gore begin another campaign today, on their natural turf. The president is off to Detroit and the vice-president to Ontario, California, to appear in televised "town meetings" fielding questions from citizens, not the media.

Their goal is quite simple: to convince a wider audience that this is a young administration still firmly on track, which is not necessarily the prevalent impression inside the hypercritical and media-dominated Beltway. They will probably welcome the change of scenery in their first escape from Washington since the inauguration.

But, even as they leave, there are changes in Washington itself which indicate some adjustment by the president to the capital's political reality. Back on board in the White House, albeit in informal consulting capacities, are Mr James Carville, Mr Paul Begala and Ms Mandy Grunwald, three of the key political strategists behind Mr Clinton's skilful and disciplined election campaign.

Implicit in their return, which may be no more than temporary, is the recognition that the administration has had an uncertain political beginning, marked by the double failure to find a new attorney general and the early controversy over Mr Clinton's determination to end the ban on homosexuals in the military.

The withdrawal, for "nannygate" reasons, of Judge Kimba Wood from consideration to run the Justice Department, seems a more grievous item of White House mismanagement than that of the aborted nomination of Ms Zoe Baird.

Away from Washington, out among the voters, the issue is still the economy - and it is picking up, writes Jurek Martin

Judge Wood has acknowledged in a letter to the New York Times that the newspaper's initial accounts of her exchanges with the White House - obviously, though anonymously, provided by her journalist husband Mr Michael Kramer - were partly inaccurate and that she may, indeed, not have been crystal clear in what she said. But there is no gainsaying that Mr Clinton's aides were ill-advised in leaking that she was at the top of the short list to be attorney general.

The net result is that, for the moment at least, the administration finds itself fending off outraged criticism (not only from women's groups and talk show hosts) that the president is applying a double standard to men and women appointees and is running scared of public opinion.

Now, it appears all nominees for positions requiring Senate confirmation, about 1,100, will be obliged to confirm that they have always obeyed the law in hiring domestic help, a criterion not exactly germane to their abilities to do the job. Worse, it may well rule out of consideration a lot of talent.

Finger-pointing for this firestorm is under way. Mrs Hillary Rodham Clinton, already a target because of her patent power and influence, is being blamed for her insistence on finding a woman for the justice department. Other aides, like Mr "Mack" McLarty, the White House chief of staff, Mr

Bernard Nussbaum, the president's legal counsel, and Mr George Stephanopoulos, the communications director, are also being charged with lack of political nous.

Similar accusations of loose talk surround the formation of economic policy. Mr Stephanopoulos has defensively blamed unauthorised leaks for the number of kites being flown around town - on social security and energy taxes and on the size of any planned stimulus. The impression gleaned is that whenever one has been shot down as in the mooted freezing of the indexation of pensions - the administration has caved in to powerful special interests.

The Kimba Wood fiasco last Friday interrupted what had been a good week for Mr Clinton. The passage of the family leave bill could be portrayed as early evidence that Washington legislative "gridlock" was over. There had been a series of presidential consultations with Congress and with the nation's governors that spoke of policy innovation and new co-operation.

At least these passing domestic passions have taken some of the heat off foreign policy. This may come as little consolation to Mr Cyrus Vance and Lord Owen, the Bosnian negotiators, who are convinced that the prospect of US assistance is the main reason why the Bosnian Muslims have not

agreed to their peace plan, but it has bought some time for the administration to make up its own mind.

More generally, as Mr Jim Hoagland perceptively wrote in the Washington Post yesterday, it is becoming increasingly clear that Mr Warren Christopher's role as secretary of state is "to keep Clinton out of trouble abroad in the opening phase of his presidency". In the Middle East, Bosnia, Somalia and Haiti, "quick fixes and policy reviews are the order of the day".

The compromise agreement negotiated by Mr Christopher with Mr Yitzhak Rabin, Israel's prime minister, over the Palestinian deportees was a quick fix, getting the US off the potentially embarrassing hook of being forced to veto a UN Security Council resolution against Israel. His trip to the region next week equally is designed to buy some more time.

Such delay does not seem to suit the European Community, agitated over trade policy, and Japan, anxious because it seems to have no friends in the Clinton court. This week's visits to Washington by Sir Leon Brittan, the EC trade commissioner, and Mr Michio Watanabe, the Japanese foreign minister, may not be as fruitful as either would like.

But it is a fair bet that in Michigan and California tonight, foreign policy will not intrude much on Mr Clinton and Mr Gore. Their dialogues with the people, in the preferred medium of the moment, are going to be about what brought them into office, neatly summed up in the placard Mr Carville hung on the Little Rock election war: "the economy, stupid". The only difference now is that it is getting better.



Gore: meeting citizens in California



Christopher: arranging quick fixes

Brazil launches its first satellite

By Christina Lamb in Rio de Janeiro

BRAZIL yesterday moved into the space age with the successful launch of its first satellite.

The SCD-1, developed entirely in Brazil, was launched from the Kennedy Space Centre at Cape Canaveral in Florida yesterday morning - the culmination of a \$160m project begun in 1979. In recent years the programme has suffered long delays caused by the perilous state of Brazilian government finances.

Orbiting 750km above earth, the satellite will be used for collecting meteorological and environmental data about the Amazon rainforest. The data will be transmitted to the Brazilian space institute (INPE)

for monitoring forest fires and the concentration of carbon monoxide and dioxide in the atmosphere. Landsat, the American satellite used for capturing images does not provide such detail.

Mr Pawal Rosenfeld, head of satellite monitoring at INPE, said yesterday: "This is a technological and political success as it puts Brazil in the club of countries which have the know-how for satellite manufacture".

The satellite was launched using the Pegasus rocket made by the American Orbital Sciences Corporation.

A second Brazilian-made satellite SCD-2 is planned to be launched at the end of this year with a Brazilian made rocket.

NEWS: WORLD TRADE

Washington in row over steel duties

By Frances Williams in Geneva

THE US was yesterday subjected to a barrage of criticism from trading partners over its decision last month to impose swingeing anti-dumping duties on imports of steel from 19 countries, including seven EC member states.

The issue will be pressed by Sir Leon Brittan, EC trade commissioner, when he meets Mr Mickey Kantor, US trade representative, in Washington tomorrow.

Sir Leon will also be taking up the US threat to shut EC companies out of bidding for federal contracts, and the continuing standoff in the Uruguay Round global trade talks.

At a stormy meeting of the governing council of the Gen-

eral Agreement on Tariffs and Trade in Geneva, the US anti-dumping and earlier anti-subsidy duties on steel were variously described as "unwarranted and unjustified", "unfair", "disturbing" and a threat to world steel trade and the Uruguay Round.

The EC, which said the duties were the latest measure in "a massive assault on the world steel market" by the US, has already sought talks with the US as the first step to a formal GATT complaint. Brazil, which put the item on the council agenda, said it too had sought consultations.

Support came for renewed talks on a Multilateral Steel Agreement, which would phase out steel tariffs in return for elimination of most subsidies. MSA talks broke down last

spring but are scheduled to begin afresh later this month.

GATT members were angry that the anti-dumping duties, provisional until the US International Trade Commission rules on whether dumping has injured US producers, relate to imports already covered by voluntary restraint arrangements.

Over 80 anti-dumping and anti-subsidy suits were filed by US steel makers weeks after the 10-year-old VRAs expired at the end of March 1992.

GATT's council yesterday approved membership terms for the Czech and Slovak republics, which separated at the end of last year, and granted Azerbaijan, the former Soviet republic, observer status. Swaziland has become GATT's 106th member.

Editorial Comment, Page 13

US car market on collision course

Nancy Dunne on higher gear in protectionism row

THE 17 foreign motor companies operating in the US market are planning an aggressive legal strategy to combat protectionist moves against them by the Big Three American car manufacturers in Detroit.

Mr Philip Hutchinson, president of the Association of International Automobile Manufacturers, said the trade association's board had authorised retention of a law firm to explore action against the US companies and their trade association, the Motor Vehicle Manufacturers Association.

Representatives of three firms were interviewed yesterday. US car makers are considering filing dumping actions against a broad range of Japanese cars. The decision could come this week, in order to meet a deadline which would make the dumping charges easier to prove.

Detroit is also pushing the Clinton administration to reclassify imported minivans as trucks rather than cars, thus raising the tariff from 2.5 to 25 per cent. Foreign car makers have decided to fight back.

"We know that they are threatening unfounded actions which are harmful to competition and expensive to defend," said Mr Hutchinson. "We also know that the Big Three are attempting to use the political process to influence and restrict competition."

He said Honda and Volvo had been "expelled" from the MVMA after belonging for several years. "Our companies compete in this market. The consumer likes the competition and thinks it's fair. Overall, it's good for America to have this head-to-head marketplace."

US trade lawyers say a number of legal actions could be considered by the foreign manufacturers. They could bring an anti-trust case if they can prove that the American industry is acting in collusion to raise prices.

All the companies are so linked internationally that the American manufacturers may well be shooting themselves in the foot if they seek government action against their rivals. After all, one out of 10 car imports is now brought into the US by Detroit.

GM alone has supply and technology arrangements with Honda and Isuzu, a joint venture with Nissan, market distribution arrangements with Renault and Saab and a manufacturing and assembly rela-

tionship with Volvo.

Foreign-owned companies which manufacture in the US could seek legal standing as American producers in order to file dumping cases against the cars brought in by the Big Three.

"The question is who is 'the US industry'?" said Mr Michael Coursey, a Washington trade lawyer. "Toyota? Nissan? Honda? At the end of the day, it might not matter."

A spokesman for the MVMA insisted that a decision to proceed with the dumping actions has not yet been taken. However, the US Commerce Department, which has the task of determining whether dumping exists, has begun to prepare its personnel for the petitions.

US trade officials say it is by no means certain that the Big Three can prove that dumping has occurred and has injured the US industry. While American car companies have been slashing their prices to gain market share, Japanese car prices have been rising.

Meanwhile, Detroit's reputation for quality is improving and it is benefiting from the end of the recession and growing demand. Chrysler has had a profitable year and General Motors could have its first in several years.

US car market - 1992

Total market	\$211,236
of which imports	1,394,748
Japanese car makers:	
Toyota	419,561
Honda	293,127
Nissan	263,376
Acura	169,007
Mitsubishi	95,988
Subaru	49,887
Suzuki	5,088
Isuzu	7,823
Daihatsu	5,026
European:	
Alfa Romeo	2,828
Audi	80
Volkswagen/Audi	87,850
BMW	95,691
Ford	880
Jeep	9,891
Lexus	169
Lotus	375
Mazda	240
Mercedes-Benz	33,312
Pagani	335
Porsche	4,115
Rolls-Royce/Bentley	382
Saab	26,377
Volvo	27,916
Yugo	1,412
Korean:	
Hyundai	108,549
American:	
General Motors	53,917
Chrysler	52,174
Ford	58,512



This exclusive light truck (including minivans) sales of which reached 4,520 in 1992. Source: Automotive News

GE technology deal paves way for lower power costs

By Andrew Baxter

GENERAL ELECTRIC of the US has signed an agreement giving it access to a promising new technology that could save the power industry millions of dollars in fuel costs. The deal between GE, the world's largest producer of power generating equipment, and Exergy, based in California, is the latest effort by power equipment producers to boost market share by offering

utilities more efficient power production.

An exclusive agreement will enable GE to use the "Kalina cycle" developed by Dr Alexander Kalina, principal owner of Exergy, as part of its combined-cycle power systems. These use the exhaust gases from a gas turbine to power a second, steam, turbine.

GE claims its systems are the world's most efficient. The "Kalina cycle" could add two or more percentage points in

thermal efficiency (the amount of electricity produced per unit of fuel used), says GE.

Three subsidiaries of OEC Alstom have won orders totaling DM337m (\$244.3m) from Vereinigte Energiewerke, to upgrade and modernise the Jämschwalde lignite-fired power station near Cottbus, east Germany.

The order, will increase the efficiency of the 3,000MW plant and reduce the emission of nitrous oxides.

Japanese venture for Stefanel

By Haig Simonian in Milan

STEFANEL, the Italian casual clothing group, has become the first European apparel maker to set up a manufacturing joint venture in Japan.

The new company, Onward Stefanel, marks an extension of the Italian group's clothes retailing joint venture, signed in 1989, with the Onward Kashiyama group, which has led to the opening of 40 Stefanel stores in Japan.

Mr Giorgio Stefanel, chairman of the Italian company, said the new company would produce between 30 per cent and 40 per cent of Stefanel's sales in Japan.

The remainder would continue to be made in Italy. Stefanel intended to extend its Japanese

retail coverage, and open more stores in China and Korea, where it already has a presence, he said.

Elseg Bailey, the Italian precision engineering group which is part of the IRI state holding company, has won a L35bn (\$23.7m) order from the Spanish postal authorities for automatic letter-sorting equipment for Madrid and Barcelona.

The equipment includes electronic address recognition systems which will enable fully automatic letter sorting, as well as manual coding where necessary.

Elseg Bailey has already supplied letter sorting equipment to the six automated letter sorting centres on which the Spanish postal system is currently based.



Vietnamese deal for Thomson-CSF

VIETNAM'S busiest airport is to have a modern air traffic control system installed by the French electronics giant Thomson-CSF, the company said yesterday, Reuter reports from Hanoi.

The company said Vietnam's state carrier, Vietnam Airlines, had chosen it to supply and install the new system at Tan Son Nhat Airport in Ho Chi Minh City, Vietnam's commercial centre.

The company, which signed another contract with Vietnam Airlines in August to supply landing communications systems for Ho Chi Minh City

and the central town of Danang, said it had also received government approval to open an office in Vietnam.

The news came hours after the arrival in Hanoi of French President Francois Mitterrand. Mr Mitterrand is the first western head of state to visit Vietnam and is accompanied by several ministers and leading businessmen.

The French government has been trying to help integrate communist Vietnam - both economically and politically - into the international community, especially since the collapse of the Soviet bloc.

That has included pressing the US government to lift its trade embargo against Hanoi and its virtual block on World Bank and International Monetary Fund loans for Vietnam.



Expo businesses attack DTI over Seville service

The Department of Trade and Industry is under fire from businessmen and politicians for alleged mismanagement of the British pavilion at Expo 92, the international fair held last year in Seville. Jimmy Burns reports

The building, paid for with about £30m of public money, was hailed at the time by Mr Peter Lilley, trade secretary, as "a showpiece of British imagination and flair, Britain at its most innovative and enterprising".

But four months after Expo closed it lies empty while the DTI finds itself embroiled in a controversy which includes:

- Liquidation of a retailing company contracted by the DTI to run the pavilion shop and fly the flag with an assortment of British products supplied by dozens of leading UK companies. The company, Joanna Bickerton Associates, has debts of nearly £500,000.
- Freezing of a Spanish bank account opened by the DTI on behalf of JBA, containing an undisclosed amount of money.
- A possible lawsuit against the DTI. KPMG Peat Marwick, JBA's liquidators, are taking advice on whether there was direct legal involvement by the DTI in the JBA trading operation, which went into receivership last August, and whether

a successful claim can be made against the DTI on behalf of creditors.

- Separate legal action being considered by at least two other creditors against the DTI.
- Demolition of the award-winning pavilion possibly by the end of March unless a buyer is found.

The pavilion, the size of Westminster Abbey, was designed by Nicholas Grimshaw, built by Trafalgar House and won a 1992 British Construction Industry prize. The total cost of construction and appearing at Expo was £25m, about £5m from commercial sponsorship, the rest from the government, mainly the DTI.

One of Joanna Bickerton Associates' creditors, HHL Publishing, which supplied magazines and books to the pavilion, is taking legal advice on how to recover £240,000 owed by the company.

Mr Steve Pae, HHL finance director, said: "We believe that a lot of the information that was provided to us by the DTI when we went in for tender was misleading. There is also a

question over whether the DTI was acting as a shadow director of JBA during the Expo," effectively helping to run some aspects of the company.

A second creditor, Farrow and Humphreys, a leading UK manufacturer of toiletries, is owed £7,000 for goods delivered to Expo but never paid for. Mr Ron Humphreys, Farrow and Humphreys managing director, said he is considering legal action to recover money held in a Spanish bank account opened for JBA in the DTI's name, which he has had frozen under a court order.

He does not yet know how much is in the account, but the DTI has admitted that at least some of the money is from sales of goods in the Expo shop run by JBA, and represents money owed to suppliers.

Mr Humphreys has written to Mr Michael Heseltine, trade and industry secretary, strongly criticising his department's handling of the Expo. "As one of the... exporting companies damaged by the affair, our cash resources and the confidence of our bankers

has been badly dented, thereby reducing - not enhancing - our export drive, not to mention our enthusiasm and sense of national pride."

Mr Richard Bickerton, a JBA director said: "I hold the DTI completely responsible for providing us with market research [on the projected number of visitors to the UK pavilion] which proved to be grossly inaccurate... They've not only messed us up, but also a number of very good British companies of a variety of sizes."

KPMG Peat Marwick have confirmed that Mr Bickerton owned a building company, GOH Bickerton and Sons, which went into receivership two years before the Expo fair. The DTI has told the FT that that was not a retailing company. JBA was picked as sole British concessionaire for Seville on the basis of the company's past good record in running shops similar to those at Expo, the DTI said.

The DTI forecast of visitors, on which the retailing contract was based, said 2.75m people would visit the pavilion during Expo, which ran from April to October. JBA said Expo receipts show the true figure was nearer 1.5m.

More than fifty companies supplied the British pavilion through JBA and all are owed money. They include Dartington Crystal, Royal Doulton (part of the Pearson group, which owns the Financial Times), the BBC World Ser-

vice, Marks & Spencer and Highland Spring. The BBC confirmed that it had registered a claim with JBA's liquidators. Royal Doulton and M and S had no comment. Highland Spring said: "We are owed money... we are waiting to see what the DTI has to say."

The DTI said that it has made some ex gratia payments covering royalties which companies were made to pay to JBA before Expo got under way. Advance royalty payments were stipulated by the Expo authorities.

The DTI said the ex gratia payments did not constitute any admission of liability and that it considers any other outstanding sums to be commercial debts for which the department cannot be held responsible.

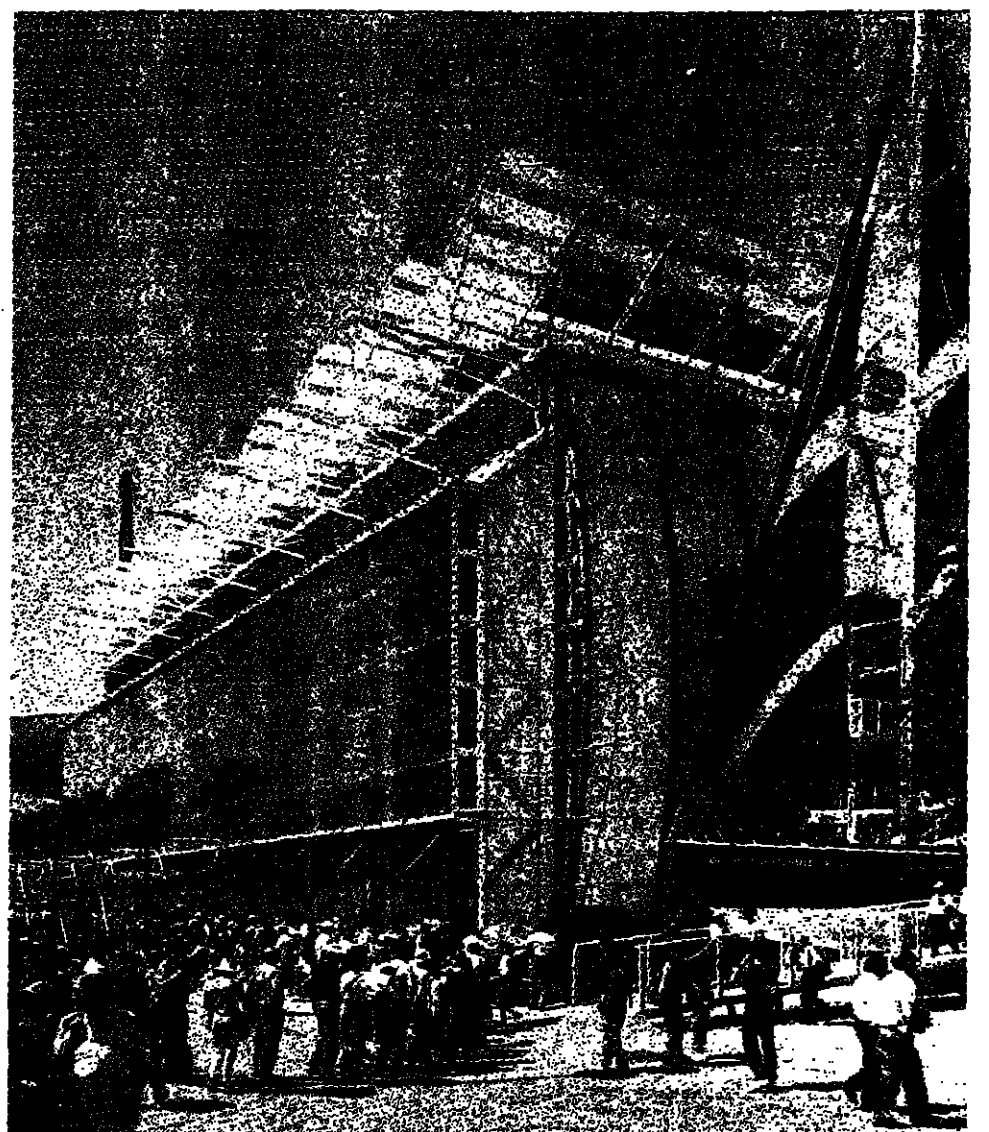
Ms Rosalind Cole, the DTI's "project manager, Expo 92 Unit" was unavailable for comment. Sir John Ure, a former British ambassador and UK "commissioner-general for Expo" - described by the DTI as the "figurehead" for the fair, said when it closed: "Our main objectives - to project Britain as an outward looking, technologically advanced, friendly nation... have been met." Sir John has since retired.

Mr Eric Dancer, managing director of Dartington Crystal, which has a claim of £40,000 against JBA said: "I think British industry should think very seriously about participating in any future trade show organised by the DTI. The DTI has let the side down very badly."

The DTI is also facing criticism from a different quarter. Conserve, a Tory party pressure group set up three years ago by Sir David Trippier, then minister of the environment to promote environmental issues, has accused the DTI of going against the "national interest" in delaying a decision on the future of the British pavilion. Conserve trustees include Lord Forte and Lord Palumbo.

Another Conserve director, Prof Paul Cook, a scientific adviser to the Department of the Environment, suggested moving the pavilion to Regent's Park in London under the auspices of the British Science and Technology Trust, of which he is president. Trustees include Baroness Thatcher.

In a letter sent on behalf of Conserve to the political office



The British pavilion: the UK is the only country that has not secured a future for its Expo building

Furnished pavilion: conflicting views of Britain's showpiece at Expo 92



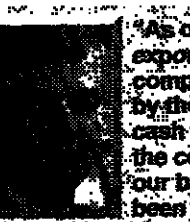
Peter Lilley
former trade secretary

"A showpiece of British imagination and flair, Britain at its most innovative and enterprising best."



Sir John Ure
UK commissioner-general for Expo

"Our main objectives - to project Britain as an outward looking, technologically advanced, friendly nation - have been met."



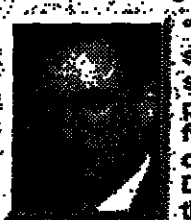
Ron Humphreys
Farrow and Humphreys MD

"As one of the exporting companies damaged by the affair, our cash resources and the confidence of our bankers has been badly dented."



Richard Bickerton
JBA director

"I hold the DTI completely responsible for providing us with market research which proved to be grossly inaccurate."



Eric Dancer
Dartington Crystal MD

"British industry should think very seriously about participating in any future trade show organised by the DTI. The DTI has let the side down badly."



Prof Paul Cook
Conserve director

"The DTI has handled our proposal atrociously. Taxpayers are getting nothing out of Expo."

at 10 Downing Street and to Mr David MacLean, environment minister, Lady Olga Maitland MP said: "Bearing in mind there is no question of financial input from the government it would be vital for the scheme's success to have the government's unqualified blessing. This will provide the lever to raise the necessary funds." The proposal was forwarded to the DTI which has never responded. Prof Cook said: "The DTI has handled our proposal atrociously... at least they should have the decency to say one thing or the other. Taxpayers are getting nothing out of Expo."

The DTI said some proposals had been turned down on financial or construction grounds. Advised by property agents Healey & Baker, the DTI is in "final negotiations" with an interested company. It is understood that the DTI has been in discussions with a businessman, Mr Sharad Patel, who wants to move the pavilion to the UK as headquarters of a new media satellite station. The DTI has been offered less than £1m for the pavilion which would take at least six months to be removed.

Under rules agreed by all participating countries, the five-storey British building

may be knocked down if the DTI fails to dispose of it by the end of March. Alternatively the DTI will have to start paying rent to the Spanish authorities. Ms Ines Aiba from Carulia 92, the government agency running the former Expo site, said: "We calculate that the delay is going to cost the British government another £65,000."

The DTI rejected charges of mismanagement and defended its Expo record: "It was an opportunity to show the rest of the world what Britain could do, the Best of Britain."

Additional research by Tom Burns in Madrid

ARGENTINA: -4.4 %
AUSTRALIA: -9.3 %
BAHAMAS: -4.4 %
BAHRAIN: -4.4 %
BANGLADESH: -4.4 %
BARBADOS: -4.4 %
BELGIUM: -5.3 %
BELIZE: -4.4 %
BERMUDA: -4.4 %
BHUTAN: -4.4 %
BOLIVIA: -4.4 %
BOTSWANA: -4.4 %
BRAZIL: -4.4 %
BULGARIA: -4.4 %
BURUNDI: -4.4 %
CAMBODIA: -4.4 %
CANADA: -4.4 %
CAPE VERDE: -4.4 %
CAYMAN: -4.4 %
CHILE: -4.4 %
CHINA: -4.4 %
COLOMBIA: -4.4 %
COOK: -4.4 %
COSTA RICA: -4.4 %
CUBA: -4.4 %
DENMARK: -2.6 %
DOMINICA: -4.4 %
DOMINICAN REPUBLIC: -4.4 %
ECUADOR: -4.4 %
EGYPT: -4.4 %
EL SALVADOR: -4.4 %
ETHIOPIA: -4.4 %
FALKLAND: -4.4 %

GRENADA: -4.4 %
GUATEMALA: -4.4 %
GUINEA-BISSAU: -4.4 %
GUYANA: -4.4 %
HAITI: -4.4 %

JAMAICA: -4.4 %
JAPAN: -9.3 %
JORDAN: -4.4 %
KENYA: -4.4 %
KIRIBATI: -4.4 %

LUXEMBOURG: -5.3 %
MACAO: -4.4 %
MALAYSIA: -4.4 %
MALAWI: -4.4 %
MALDIVES: -4.4 %

NAMIBIA: -4.4 %
NEPAL: -4.4 %
NETHERLANDS: -5.3 %
NETHERLANDS ANTILLES: -4.4 %
NICARAGUA: -4.4 %
NIGERIA: -4.4 %
NORFOLK: -4.4 %
NORTH KOREA: -4.4 %
ORNAN: -4.4 %
NEW ZEALAND: -9.3 %
PAKISTAN: -4.4 %

PANAMA: -4.4 %
PAPUA: -4.4 %
NEW GUINEA: -4.4 %
PARAGUAY: -4.4 %
PERU: -4.4 %

QATAR: -4.4 %
REPUBLIC OF KOREA: -9.3 %
SAINT CHRISTOPHER: -4.4 %
SAINT HELENA: -4.4 %
SAINT KITTS AND NEVIS: -4.4 %
SAINT LUCIA: -4.4 %
SAINT VINCENT: -4.4 %
SAIPAN NORTHERN MARIANA ISLANDS: -4.4 %
SAO TOME AND PRINCIPE: -4.4 %
SAUDI ARABIA: -4.4 %
SEYCHELLES: -4.4 %
SINGAPORE: -9.3 %
SOLOMON: -4.4 %
SOMALIA: -4.4 %
SRI LANKA: -4.4 %
SPAIN: -5.3 %
SURINAME: -4.4 %
SWAZILAND: -4.4 %
SWITZERLAND: -5.3 %
SYRIA: -4.4 %
TAIWAN: -9.3 %
TANZANIA: -4.4 %
THAILAND: -4.4 %
TONGA: -4.4 %
TRINIDAD AND TOBAGO: -4.4 %
TURKS AND CAICOS: -4.4 %
UNITED ARAB EMIRATES: -4.4 %
UNITED KINGDOM: -5.3 %
UNITED STATES OF AMERICA: -9.6 %
URUGUAY: -4.4 %
VANUATU: -4.4 %
VENEZUELA: -4.4 %
VIETNAM: -4.4 %
WESTERN SAMOA: -4.4 %
YEMEN: -4.4 %
ZAMBIA: -4.4 %
ZIMBABWE: -4.4 %

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Again this year, from January 1st 1993, rates are going down on calls to over 130 countries, including the US (-9.6%), Japan (-9.5%), Germany (-5.3%), the UK (-5.3%)...

France Telecom

NEWS: UK

Maastricht rebels threaten government vote

By Alison Smith

TORY rebels and Liberal Democrats joined the Labour opposition yesterday in an unlikely alliance intensifying the threat to the government majority at Westminster over the social chapter of the Maastricht treaty.

With the Liberal Democrats and the minor parties saying that they intend to vote for the Labour amendment, if there was a full turnout of MPs it

would take only 11 Tory rebels to overturn the government's overall majority of 21. So far in discussion of the Maastricht bill, the government has not been able to unite the full range of opposition parties with Tory Euro-sceptics.

Mr Tristan Garel-Jones, the foreign office minister, has already warned MPs that passing the Labour amendment on the social chapter would wreck the treaty because the UK

would be unable to ratify it.

The recent underlining by Mr John Smith, the Labour leader, of his party's determination to force a vote on the issue, has raised the stakes at Westminster over the vote, although it will not take place for some four to six weeks.

The opposition parties believe that approving the amendment would force the UK government to negotiate with other EC countries, with the prospect of British adop-

tion of the social chapter as the outcome. Tory Euro-sceptics have, however, begun a campaign to make clear that if their colleagues support the amendment they are not voting for the social chapter.

They say that it does not introduce the social chapter into the Maastricht bill, but would simply remove the protocol saying that the other 11 EC countries will implement the social chapter and including the UK only in a share of

the administrative costs. In any negotiations with the other EC countries, the Euro-sceptics say, the UK would not be forced into accepting the social chapter.

Sir Teddy Taylor, secretary of the European reform group, said yesterday: "The amendment simply makes it more difficult for the 11 other European countries to implement the social chapter. Anything we can do to make it more difficult to go ahead with Maa-

tricht is well worth while."

One leading Euro-sceptic, Mr James Cran, said that he and his colleagues were determined to try to find a way to amend the Maastricht bill, but many other potential rebels are keeping a low profile. The intense pressure from the whips in the run-up to the Maastricht debate last November shook some potential rebels, and they are wary of committing themselves to revolt on this vote so far in advance.

Britain in brief



Early changes to BR service 'unlikely'

British Rail passengers are likely to see few, if any, changes to train services when privatisation gets under way next year, according to a government consultation document to be published this week.

Companies bidding for franchises to take over BR's passenger operations services will be bound by contract to operate BR's 1994 timetable, with only marginal changes in services to reflect market demand.

Later, however, the Department of Transport foresees a gradual evolution in the timetable as train schedules change to reflect what passenger and freight customers want.

The consultation paper aims to fill one of the last big gaps in the government's rail privatisation plans by setting out the rules for allowing private sector train operators onto the tracks.

UK businesses more confident

Confidence among small to medium-sized companies is improving in Britain but declining in mainland Europe, according to a survey by the 3i investment group and the Cranfield School of Management.

The survey of 8,000 companies in Britain, France, Germany, Spain and Italy shows that many UK businesses believe the recession is already ending. But businesses in the other countries are becoming more worried about sales prospects because of the deterioration in the European economy.

Concern about inflation is highest in the UK and Italy while companies in Italy and Germany are keener than those elsewhere to step up spending in areas such as investment and training.

Lloyd's Names press regulators

Some 200 Names are pressing Lloyd's market regulators to intervene over the rising cost of administering claims against Syndicate 138 which stopped underwriting 10 years ago. "The syndicate has not been run in the best interests of Names to say the least," says Ms Kimbarra Mahon, secretary of the recently-formed 126 Names Association. "The managing agents have not offered any realistic hope that costs can be contained - this is a disgrace".

Egg deadline

The government accepted an independent report recommending that all eggs be stamped with a use-by date and eaten within three weeks of being laid.

Greenham base to be sold

Greenham Common air base, the focus of protests in the 1980s against deployments of US nuclear cruise missiles, was to be sold, Mr Archie Hamilton, armed forces minister, announced.

The Ministry of Defence had "no long-term requirement" for the site, near Newbury in Berkshire. But it would have to retain some small enclaves for the time being to fulfil obligations under the 1987 Intermediate Nuclear Forces treaty.

Company cars beat recession

Despite the recession there has been no discernible reduction in the provision or quality of cars supplied to employees by companies surviving it, according to the latest annual study by one of the sector's most respected monitoring concerns.

There had also been virtually no interest from employees offered a cash alternative to their cars, according to the Monks Partnership annual review of policies. Although nearly 20 per cent of all companies surveyed offered the cash alternative last year, typically only one in 10 employees was interested.

Further BA management changes expected

By Paul Betts, Aerospace Correspondent

BRITISH Airways is expected to announce further changes in its management structure later this week in the continuing aftermath of the Virgin Atlantic "dirty tricks" affair.

The airline said yesterday it had appointed Mr Peter Jones as new head of public relations following the departure last week of Mr David Burnside.

BA and Virgin are also due to hold talks tomorrow to try to reach a compromise over Virgin's compensation demands for the commercial damage it claims to have suffered as a result of BA's "dirty tricks".

Mr Richard Branson was in the US yesterday consulting advisers on the possibility of launching a US anti-trust suit against BA. Both Mr Branson and BA are understood to be keen to settle their differences by the end of this week.

As the new head of public relations, Mr Jones will assume responsibility for all external PR activities while Mr Tony Cocklin is taking charge of internal communications. Both Mr Jones and Mr Cocklin worked under Mr Burnside.

Mr Burnside, who stepped down last Friday at the same time as Lord King announced he was retiring as chairman, would be embarking on an independent business career in communications.

Gas industry regulator will quit after monopolies report

By Deborah Hargreaves

SIR James McKinnon, the gas industry regulator, is to step down in September, almost a year before the end of his contract at Ofgas.

Sir James, renowned for his acerbic manner and combative style of regulation, said yesterday he would leave his post after the publication of a report on British Gas by the Monopolies and Mergers Commission, due in July.

"That report is bound to propose some fundamental changes to the business and I believe a new person should follow through those changes from beginning to end," he said.

Sir James's announcement came as Ofgas became embroiled in another row with

British Gas over complaints from customers last year.

Ofgas said complaints had risen by 80 per cent to 1,624, but British Gas said it was not aware of more than half of those complaints.

Relations between the company and the regulator have been driven by a war of attrition and have recently sunk to an all-time low.

But Sir James hit out at his critics yesterday. "Many people are perplexed at the aura of tension between British Gas and Ofgas, but to think there would be no conflict between a regulator and monopoly supplier is somewhat naive," he said.

Without the Ofgas's focus, there would not be the "tension and acrimony," that had developed, Sir James said, "but

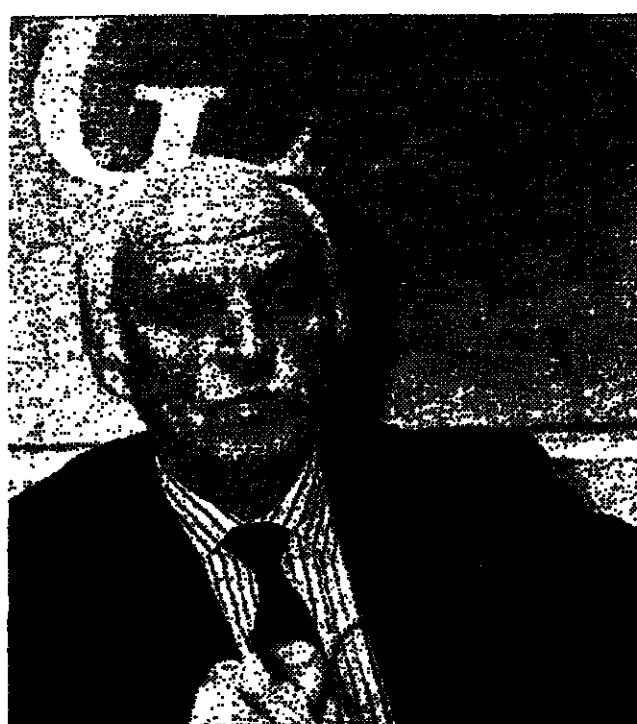
neither would there be the results achieved." He pointed to a 20 per cent drop in gas prices in real terms since privatisation in 1986 as one of his greatest achievements.

British Gas said it had no comment on Sir James's decision to step down.

But the regulator yesterday accused British Gas of overcharging schools for gas supply by at least £2,000 a year when they opt out of local authority control.

British Gas points to a legal technicality which means the company must charge schools separately for gas and not as bulk purchasers under a local authority.

This makes a difference of 10p a therm in price - since bulk purchasers are eligible for a quantity discount.



Sir James McKinnon: fighting 'war of attrition'

Decline and fall of sterling unsettles markets

By James Bittz, Economics Staff

STERLING'S fall to a historic low against its trade-weighted index has raised concerns about the currency's weakness on foreign exchanges.

Yesterday, the pound fell to a new low of 76.2 against this indicator, which measures sterling against a basket of other currencies. The index effectively indicates that the pound is now worth 76.2 per cent of its value in 1985.

The currency's return to the

low of DM2.3480 was a further sign of weakness. But Mr Mark Brett, a currency economist at BZW in London, said he was particularly concerned by the way the pound had fallen sharply in just two days. "The pound has an incredibly small resilience," he said. "People can't think of a reason to buy it."

There are several reasons for this intrinsic weakness:

● UK interest rates are lower than those in most European countries, providing a smaller return for sterling investors.

Three-month sterling interest rates were yesterday at around 6.25 per cent. By contrast, 3-month French francs were at 11.75 per cent and 3-month D-Marks at 8.32 per cent.

Investors are also concerned that growing inflation in the UK will erode the value of sterling assets.

● Dealers remain uncertain about the direction of the UK government's economic policy.

The most pessimistic view in the market is that the government has no clear plan for economic management at all, and

that recent cuts in interest rates were the product of panic rather than policy.

Sterling's departure from the Exchange Rate Mechanism has made it the most volatile currency in Europe this year, offering good returns to investors willing to play it. "People have probably won and lost more on the pound than on any other currency this year so far," said Mr Jim O'Neill, head of research at Swiss Bank.

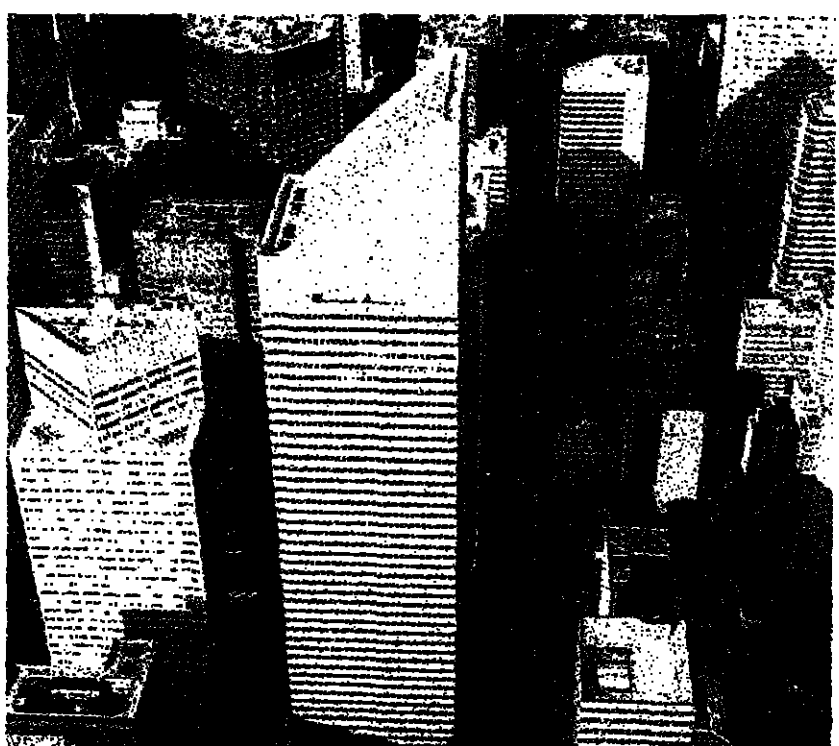
He believes that the pound will soon recover on new signs of economic growth in the UK.

He believes that next week's retail sales figures may show a sharp rise in January compared to the previous month. "The pound could bottom out at DM2.30, but we should see DM2.50 this year," he says.

Mr Brett is more pessimistic. "Dealers are being paid a big premium to short the pound and buy one with a higher yield," he said. "They will therefore sell into any rally."

In his view the pound will only be cheap enough to offset the low yield for investors when it has reached DM2.20.

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FIRST DAF-LEYLAND. WHO NEXT?

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Decision on dock contract is postponed

By Richard Evans, Ivo Dawney and James Buxton

THE government yesterday formally postponed any decision on the future of the Royal Dockyards at Rosyth and Devonport, provoking opposition taunts that it is paralysed by fears of a new public uproar over job losses.

Its refusal to decide which dock is to win the crucial contract to refit the nuclear submarine fleet, and a new pledge that both yards will be kept open whatever the outcome, was seen in Westminster as a tactical retreat.

In the wake of the future over pit closures and the return on infantry cuts, senior ministers are acutely aware that the battle over the submarine contract will have wide political ramifications. Rosyth, in Fife, is Scotland's largest single industrial employer while the future of Devonport, in Plymouth, is regarded as equally central to the economic health of the south-west. A final verdict had been expected early in the new year despite continuous lobbying by MPs and commercial interest groups from both towns.

Justifying the postponement, Mr Malcolm Rifkind, defence

secretary, said tenders submitted for the multi-million pound scheme "may significantly understate the likely eventual cost of the work". He said the yards would be asked to re-evaluate the likely costs and that the government would also study "other related matters further" before coming to a final decision.

Downing Street officials said later that it was feared both yards had deliberately underestimated the costs of building submarine servicing facilities to secure the contract. No date was given for a final verdict.

The decision angered Devonport, favourite for contract, but came as a relief to Rosyth. Opposition politicians were quick to seize on the retreat as fresh evidence of indecision and uncertainty at the highest levels of government.

Mrs Margaret Ewing, Scottish Nationalists' defence spokesman, said the announcement did nothing to end the uncertainty and left workers "dangling at the end of a string".

Both Devonport and Rosyth, which have been under separate private sector management since 1987, have regarded the submarine work as vital for their survival.

MPs demand a halt to infantry merger plans

A CROSS-PARTY committee of MPs yesterday demanded further changes in the government's plans for cutting army manpower. David White writes.

The House of Commons defence committee, triumphant after last week's partial climb-down by Mr Malcolm Rifkind, defence secretary, called for cancellation of all further plans to merge or disband UK infantry regiments.

Sir Nicholas Bonsor, chairman of the 11-man committee, said members were unanimous

that Mr Rifkind's decision to restore 3,000 army posts and cancel two regimental amalgamations was not enough.

Last week's change increased the target for army manpower in the mid-1990s from 115,000 to 119,000, compared with about 145,000 at present.

The number of UK infantry battalions - excluding the brigade of Gurkhas - has been reduced since last July from 50 to 45. The government's original Options for Change plans reduced it to 36.

Ruling on former Maxwell aide weakens fraud office

By John Mason, Law Courts Correspondent

THE POWERS of the Serious Fraud Office to compel suspects to answer questions were seriously undermined yesterday after Mr Larry Trachtenberg, one of four men charged over the Maxwell scandal, won the first round of a test case against the SFO.

A charge brought by the SFO that Mr Trachtenberg had broken the law

by refusing to answer questions during a "Section Two" interview - during which people lose their right to silence - was dismissed yesterday by Clerkenwell Magistrates Court.

The court ruled that because he had already been charged, the former adviser to the late Mr Robert Maxwell had, as the law provides, a "reasonable excuse" for refusing to answer the SFO's questions.

The verdict could significantly ham-

per a number of the 60 investigations currently being carried out by the SFO. Anyone charged by the SFO could use the same argument as Mr Trachtenberg to avoid answering the SFO's questions under Section Two.

The ruling leaves the SFO with far less room for manoeuvre in trying to compel defendants to answer questions once charges have been brought against them.

The SFO would say only that it was considering the implications of the yesterday's decision.

However, it is thought certain that the SFO will now seek an appeal against the decision and that the issue will have to go to the House of Lords, Britain's highest court, for a final resolution.

During the hearing, Mr Trachtenberg, who was arrested in June last year, argued that he had a "reason-

able excuse" not to answer questions under compulsion since he had already been charged with theft and fraud.

Mr Trachtenberg, who had faced a prison sentence of up to six months, made no comment after the hearing. His solicitor, Mr Rod Fletcher of Russell Jones Walker, said his client's actions in refusing to answer the SFO's questions had been "fully vindicated".

Kevin Done examines plans aimed at saving jobs and keeping the truckmaker in business

Receivers start salvage work at Leyland Daf

THE receivers for Leyland Daf believe several parts of the leading UK truck maker's operations can survive last week's collapse into receivership.

The group will probably be broken into its constituent parts, however. There will be heavy job losses and some of sites will close.

Talk of an outside buyer - speculation has focused on truck makers such as Paccar of the US and Hino of Japan - is "very premature", and no formal contacts have been made.

In the first week since their appointment as joint administrators for Leyland Daf, Mr John Talbot and Mr Murdoch McKillop of accountants Arthur Andersen, have done little but fight the immediate fires.

"We have been spending every hour there is to stabilise trading," said Mr McKillop. "Our main aim has been to stabilise the sales and production operations. Then you can have a stabilised business to sell."

To date the receivers have:

- Agreed financing for the short-term working capital needs of Leyland Daf amounting to £7m - the sum they requested from Daf's banking consortium.
- Made arrangements for the immediate salary payment for the 5,500-strong Leyland Daf workforce in the UK.
- Set about restoring production at the plants in Leyland, Lancashire and Birmingham.
- Made arrangements with

Daf trade union officials in the Netherlands have called a mass demonstration in Kind-hoven today in a move aimed at pressing the case for the company's survival. Union sources said the rally is also intended to send a strong political signal to The Hague about the financial plight of the over 3,250 workers to be laid off under the Daf restructuring scheme. Half the 6,500-strong Benelux workforce is likely to be cut as part of the salvage plan. The Hague has committed itself to a capital injection of about £120m in the new company, but so far no provision has been made for redundancy compensation.

the court-appointed administrators for Daf in the Netherlands, that should allow the resumption of the "vital" two-way flow of trucks and components between the UK and the Dutch and Belgian operations.

Addressed dealers from across the country to try to hold some confidence in the crucial dealer network.

Now the hard work begins to assess what can be salvaged.

Both the UK receivers and the Dutch administrators are effectively responsible to the same consortium of international banks led by ABN-AMRO of the Netherlands and including National Westminster, Barclays and Lloyds from the UK. The Daf manufacturing operations - including Leyland Daf in the UK - have

a total bank debt of around £1.1bn.

The UK receivers believe the rescue plan being prepared by the Dutch administrators, which calls for the creation of a new limited company with the working title of "New Daf", could make good sense.

This new entity would absorb the "core operations" of Daf's Dutch and Belgian medium and heavy duty truck activities. Most importantly for the UK, "New Daf" would probably include Leyland Daf's truck assembly operations at Leyland, Lancashire.

Both sides believe "New Daf's" future lies in being able to continue to offer an integrated product range to the 1,300-strong Daf dealer network across Europe.

Mr McKillop maintains that Daf's van products made in Birmingham do not belong in the "New Daf" strategy.

The actual ownership of a slimmed-down Leyland truck assembly operation within "New Daf" is still to be resolved. It could be wholly or partly owned by "New Daf" or could be partly owned by UK interests, perhaps with management or UK dealer interests. The vital element, however, is that this operation would be tied in by ownership or supply contracts to "New Daf" and remain an integrated part of the Daf truck range in the showrooms.

Even under this plan there will still have to be painful job cuts at the Leyland site. Many

Daf jobs under threat

GLASGOW
Truck & van axles
550 JOBS

CHORLEY, LANCASHIRE
Parts, warehouse & distribution
400 JOBS

THAME, OXFORDSHIRE
Sales & marketing
330 JOBS

LEYLAND, LANCASHIRE
Truck assembly
Engine & components assembly
Truck engineering
2,200 JOBS

BIRMINGHAM
Van production
Components production
Van engineering
2,000 JOBS

CHEAM, SURREY
Leyland Daf finance
"not in receivership"
20 JOBS

TOTAL 5,500 JOBS

of these jobs are at risk as output falls in line with weaker demand expected in Europe.

The long-term future of the Birmingham plant depended on Daf's ambitious joint venture with Renault of France to develop a new generation of medium and heavy vans, code-named Excel, for launch in the mid-1990s. This was to have been built both in Birmingham and at Renault's van plant at Batilly in eastern France.

As far as Daf is concerned, this project appears to be dead. It is understood that even before the receivership, Daf had decided that it would have to pull out of the project.

Around 270 Leyland Daf jobs in the UK, mainly in Birmingham are tied up with the Excel and are immediately at risk. Urgent discussions are being held with Renault to clarify, whether it intends to press ahead with the project alone or with another partner. Without Excel and excluded from "New Daf", the Birmingham plant - with around 2,000 jobs - faces an uncertain future.

The receivers believe it could survive in a reduced form, with a strategy directed towards producing very basic, low-price, utility vans.

At Glasgow the receivers will seek to make the Albion van and truck axle plant into an independent operation with the hope of selling it to an engineering sector buyer. They also hope to find a buyer for Leyland Daf at Chorley, which has a modern distribution operation with an annual turnover of around £100m and some 400 workers.

Parts sales are vital. Much better returns are derived from after-sales operations than from the sale of a new vehicle - so a "New Daf" would be interested in a continuing link with the parts business, possibly through royalty payments.

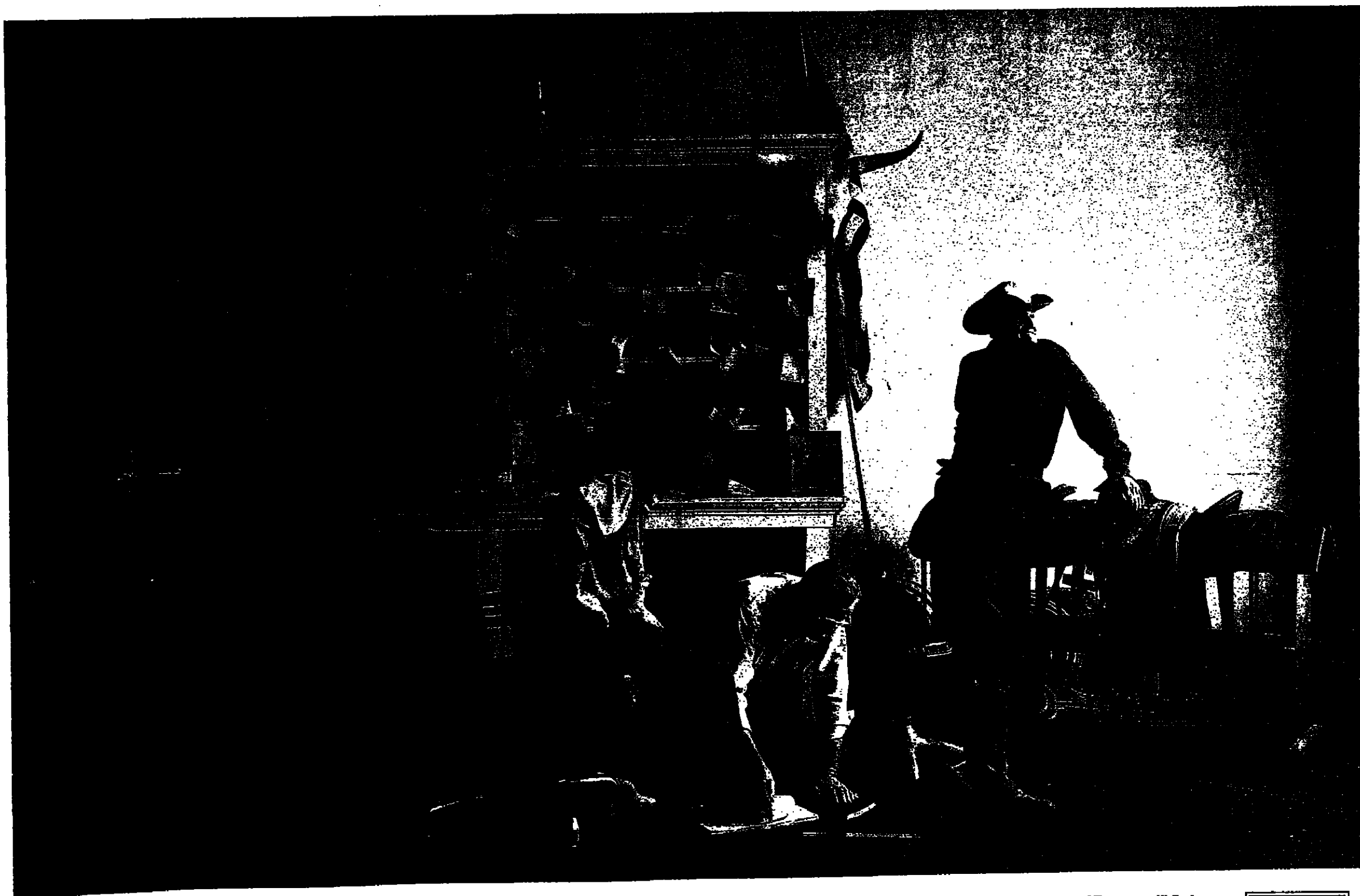
Unipart, which already distributes parts for vehicle makers such as Rover and Jaguar, could be a potential buyer.

The Leyland Daf sales and marketing operation at Thame with around 330 employees is expected to be much reduced in size and will probably be moved.

"New Daf" will have to have a sales and marketing operation in the UK, however, to run the dealer network, so a slimmed-down operation is expected to survive.

Leyland Daf Finance is not in receivership in the UK, but the Dutch administrators have said that Daf Finance, its Dutch parent company will be "run down and closed". There could be temporary difficulties, but UK dealers and customers are expected to be able to find alternative sources of funds from other UK finance houses.

Whatever strategies are evolved by the receivers for Daf and Leyland Daf, big job losses are inevitable. The pain is likely to begin before the end of this week.



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COMPANY NOTICES

BRAMALEA LIMITED NOTICE OF AMENDMENT OF THE PLAN OF COMPROMISE OR ARRANGEMENT FILED BY BRAMALEA LIMITED AND OTHER APPLICANTS PURSUANT TO THE COMPANIES' CREDITORS ARRANGEMENT ACT (CANADA)

NOTICE IS HEREBY GIVEN that Bramalea Limited ("Bramalea") and other applicants (collectively, the "Applicants") have, on February 5, 1993, applied to the Ontario Court of Justice (General Division) to effect certain changes in the Plan of Compromise or Arrangement (the "Plan") filed by the Applicants on December 22, 1992. The amendments to the Plan provide clarification of the treatment to be afforded certain Creditors (as defined in the Plan).

Amendments to the Plan are described, in part, in the Supplement to the Information Circular (the "Supplement") dated February 5, 1993, which amends and supplements the information contained in the information circular (the "Information Circular") dated December 23, 1992. The Supplement, together with the Plan, as amended, attached as Exhibit A to the Supplement and blacklined to reflect all amendments since the mailing of the Information Circular, will be forwarded by regular letter mail on or before February 8, 1993, or by personal service on or before February 10, 1993, to all known Creditors of Bramalea. In order to determine whether a Creditor is affected by the Plan, as amended, reference should be made to the documentation contained in the mailings referred to above. If you did not receive such documentation and wish to determine if you are affected by the Plan, as amended, copies of the documentation will be available for pick-up by Creditors after February 8, 1993, at the offices of the Montreal Trust Company of Canada, or at the offices of Euroclear or Cedel listed below, or from Bramalea by calling (416) 964-6565.

It is incumbent upon all persons with a connection or relationship with Bramalea or any Applicant to ascertain whether they are affected by the Plan, as amended. All Claims will receive the treatment set out in the Plan, as amended.

In accordance with the Notice of Proceedings and Special Meetings of Certain Creditors of Bramalea and Other Applicants (the "Notice") dated December 23, 1992, a meeting for each Class (as defined in the Plan) will be held at the Holiday Inn Downtown City Hall, 89 Chestnut Street, Toronto, Canada at the times and locations set forth in the Notice. The application for the final order approving the Plan (the "Final Order") is scheduled to be heard at 9:00 am (Toronto time) on Wednesday, February 24, 1993 at Osgoode Hall, 130 Queen Street West, Toronto, Canada. Further notice of the application for the Final Order will only be made pursuant to an order of the Court.

Creditors requiring assistance with completion of the proxy documentation may call the Montreal Trust Company of Canada at (416) 860-5915 for assistance. This notice is given by Bramalea on behalf of all the Applicants.

DATED at Toronto, Ontario, Canada, this 5th day of February, 1993.

By Order of the Board
Charles Simon
Secretary

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Mathieson returns to Rover

One of the more senior Eindhoven-based sales and marketing executives of DAF, the collapsed Anglo-Dutch commercial vehicle maker, is back at a desk within the UK's Rover Group.

The return to Rover of Sandy Mathieson (right), who is to become commercial director of Rover's UK car sales, reunites some of the key figures who in the 1980s shaped the fortunes of DAF's Birmingham-based vans subsidiary. The latter is now - like the rest of DAF's UK operations - in the hands of receivers.

Mathieson's welcome back on board at Rover, formerly British Leyland, is courtesy of



George Simpson, Rover's chairman. Simpson himself is a former managing director of Leyland DAF, appointed soon after

the formerly UK State-owned Leyland truck and van operations were merged with DAF, under Dutch control, in 1987.

Simpson first made his name, however, by turning round the vans operation - then known as Freight Rover - into a profitable enterprise in the years leading up to the DAF takeover. Mathieson was his right-hand-man as sales and marketing director.

Mathieson will also be joining Graham Morris, managing director of Rover Europe, who oversees sales and marketing operations for Rover cars and Land Rover/Range Rover 4wd vehicles throughout Europe.

Bodies politic



Bert Morris (above), deputy group chief executive of National Westminster Bank, has been appointed a non-executive member of the management board at the DEPARTMENT OF SOCIAL SECURITY.

Jean Gaffin, former treasurer of the Parliamentary Advisory Council on Transport Safety, has been appointed chairman of OFTEL's advisory committee on Telecommunications for Disabled and Elderly People.

James Davis, chairman of DFDS, Bromley Shipping, and TIP Europe, has been appointed a trustee of the NATIONAL MARITIME MUSEUM.

Philippe Giraud, senior partner in the Bossard Group, has been elected president of the EUROPEAN FEDERATION OF MANAGEMENT CONSULTANCY ASSOCIATIONS.

Gil Gray, BA's chief pilot for Boeing 757s and 767s, has been appointed a member of the CIVIL AVIATION AUTHORITY on the retirement of Brian Trubshaw.

David Swan, formerly European affairs director of Imperial Tobacco, has been appointed chief executive of the TOBACCO ADVISORY COUNCIL.

Leo Schoevers, a director of HCS InfoTech in the Netherlands, has been elected senior vice-president Europe, Africa and the Middle East of the ASSOCIATION FOR SERVICES MANAGEMENT INTERNATIONAL.

John West resigns

John West has resigned as non-executive chairman of Dalgety, the food group, and of Bridon, maker of wire rope and engineered products, having just suffered a stroke.

Dalgety has appointed Maurice Warren, chief executive, to succeed West, 65, who became chairman of Dalgety only last September. Richard Clothier, who had been due to become chief executive when Warren turns 60 in June, will now do so on April 1.

Warren has agreed to remain chairman for the indefinite future and says the appointment will not affect his plans to become non-executive chairman of the South West Electricity Board in June.

Bridon yesterday named Derek Edwards, a non-executive director of the company for the past eight years, as chairman, and Brian Clayton as chief executive.

Clayton has been responsible for day-to-day executive decisions since David Allday resigned as chief executive in September.

John Hogan has been appointed chief operating officer of Lasso, the independent oil exploration and production company.

He replaces Joe Darby who recently became chief executive after Chris Greenleaf decided to step down.

John Hogan has been managing director of Lasso's North Sea operations for the past four years. At 38, he is generally regarded as one of the industry's younger generation of pragmatic managers who have to weigh more keenly the financial risks and rewards of oil exploration in a climate of persistently low oil prices.

He is a qualified geologist and has worked in the industry since leaving university. With previous positions at Shell UK, Britoil and Elf, he joined Lasso in 1981. As chief operating officer, he will have responsibility for the day-to-day management of Lasso's worldwide operations.

Hogan is succeeded as managing director of Lasso North Sea by Russell Harvey, currently production and operations director.

National Home Loans, the centralised mortgage lender, has reinforced its senior management to cope with the task of administering its £2.62bn of mortgage assets and restoring

its fortunes by repaying its £700m on-balance sheet debt.

NHL, which came close to collapse last year because of losses on lending, has appointed two executives who left Nationwide Building Society last year.

Christopher French, who was at Nationwide for 22 years, has been appointed chief operating officer of NHL. He will take over the running of NHL's operations in Solihull from Jonathan Perry, the company's executive chairman.

Brian Murkin, a chartered accountant who joined Nationwide in 1979, and was divisional director of management services there before leaving last year, has become the divisional director for finance, also based in Solihull. He will back up Nigel Terrington, the finance director who now splits his time between Solihull and the treasury operations in London.

NHL says the change of management does not necessarily augur a change in plans for the future of the group after it has managed to restructure and repay debt and work out bad loans in its National Mortgage Bank subsidiary.

National Home Loans lost £146.4m last year after making provisions of £138.5m to cover possible bad debts.

Lord Eden, Allan Jonnes and Matt McBride - an apology

On January 18, in an article about the Bricom Group Ltd and its recent management changes, we wrongly stated that the Bricom Group is in a disastrous financial situation

and implied that the former management team of Lord Eden, Allan Jonnes and Matt McBride was to blame. We fully accept that this was totally untrue. We are assured

that the Bricom Group prospered under its former management and is in a sound financial position. We understand that the management changes resulted from a

change in the strategic direction of the Bricom Group. We greatly regret the damage and embarrassment caused by our article to Lord Eden, Mr Jonnes and Mr McBride.

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BUSINESS AND THE ENVIRONMENT

Funding for the Endangered Species Act is coming up for approval by the United States Congress this year. Businessmen and women from sectors as diverse as farming and real estate development will be affected by the government's decision on the funding bill.

In its 30 years, the Endangered Species Act has become one of the most controversial environmental laws to hit the books. Species protection has led to vitriolic, even violent, confrontations between environmentalists and workers in sectors such as logging and fishing.

The power of the Act is forbidding. Soon after being signed into existence in the 1970s, the ESA was used to delay construction of the \$120bn (€20bn) Tellico Dam in Tennessee to protect the rare snail darter fish. The Act has continued to have far-reaching effects on land use industries.

The confrontation in the Pacific Northwest between loggers and defenders of the rare spotted owl became a 1992 election issue, and the theme of "putting people first" (before animals, that is) was at the heart of many of George Bush's campaign speeches in the region. Loggers, with the support of the then president, felt their jobs should take precedence over the rare bird's habitat.

The Act has affected many other industries. Oil companies claim their drilling activities have been limited unnecessarily. Farmers in the west complain of severe grazing restrictions to protect certain species of bird. And real estate developers in southern California are bitter over building curbs to protect the kangaroo rat.

Under the decidedly pro-environmentalist Clinton administration, most observers expect the Act to be not only renewed, but strengthened.

Hundreds of species have been added to the endangered list, but only five have recovered enough to be removed from it

Under consideration will be:

- Measures to speed up the process by which species are listed as endangered.
- The possibility of listing entire ecosystems, not just species, under the Act.
- Increased funding for policing of the Act.
- Harsher penalties for offenders.
- Possible compensation for landowners who find endangered species on their property.

The ESA has ardent supporters

The controversial US Endangered Species Act may soon be even tougher on land users, writes Victoria Griffith

Halting industry in its tracks

and detractors. Its most extreme opponents propose listing rare animals as "relic species" which could not adapt to the late 20th century. Instead of maintaining a natural habitat for these species, these activists propose breeding the animals in captivity in order to prevent their extinction.

Certain "dune-buggy" recreation clubs have claimed that their right to ride vehicles on beaches and desert turf should take priority over the preservation of animal and bird life. And stories have circulated in the Florida press about landowners who poisoned rare turtles nesting on their property rather than face building restrictions.

More moderate opponents of the ESA say it threatens many Americans' livelihood. A particularly bitter battle is brewing over the rights of shrimpers in the Gulf of Mexico. Gulf coast shrimpers are angry about turtle excluder devices (TEDs) which they have been forced to install in their netting. The device is a kind of trap door which allows sea turtles to escape.

"The problem is, it also lets the shrimp out," says Darcy Keefe, a fourth-generation shrimper. "We'd like to comply with the law, but we also have to make a living." Keefe says most of his shrimping colleagues have been forced out of business by the ESA.

The National Wildlife Federation in Washington DC, however, claims TEDs are one of the Act's biggest success stories. According to the federation, the devices annually save about 55,000 sea turtles that would otherwise drown in shrimp nets. And a study released by the organisation last year claimed that TEDs actually caused little hardship. The report noted a 15 per cent increase in shrimpers' average daily catch since the TED regulations applied.

Shrimpers say the study tells only one side of the story. "Each vessel may be catching more shrimp, but that's partly because there are fewer shrimping boats out there," says Keefe. "And the TEDs are heavy; they stretch our nets, and we have to pay the extra cost."



The black bear: a legal hunting target in Louisiana until shortly before listing

In another bitter ESA dispute, the Pacific Northwest Generating Cooperative, which provides hydro-electric energy to many communities in the northwestern states, says it faces additional costs of between \$1bn and \$5bn to save rare salmon on the Columbia River.

Environmentalists would like the company to aid salmon migration by drawing down reservoirs behind the dams to push up water levels at certain times of the year. But the company says that would mean prohibitively expensive alterations to the dams already in place on the river.

"It's not just the hydro-electric

power that's at risk," says David Harper, director of legislation for the group. "Changing the river levels would have an impact on shipping along the waterway, which in turn affects farmers trying to get their wheat to port."

The history of the ESA is littered with smaller casualties, too. Edward Lee of Kansas used to make a living by collecting gravel from streams to sell to businesses. A few years ago, he was forced to shut his operation in order to protect an endangered catfish laying eggs in the gravel. Richard Christie, a Montana rancher, found himself unwittingly in violation of the law when he shot

and killed a grizzly bear that was feeding on his sheep.

Opponents of the ESA say that environmentalists often invoke the law to protect land they prefer to see undeveloped. But many environmentalists contend there is nothing wrong with this approach.

"Many of the industries which are affected by the law make money by abusing public resources," says Michael Bean, chairman of wildlife for the Wildlife Defence Fund in Washington DC. "We are in many cases faced with inadequate land use restrictions."

In spite of the strong emotions, some activists are convinced that compromise is possible. One success story is a deal between environmentalists and Louisiana loggers to protect the black bear. The loggers promised to leave tree corridors to allow the bears free access to their hunting areas. The environmentalists, for their part, agreed to allow a certain amount of logging in the bears' habitat.

An unlikely alliance has also formed between some environmentalists and property rights activists, who are pushing Congress to offer financial incentives to landowners who find rare species.

"We've heard the stories about turtle poisonings in Florida," says Adam Roberts, research assistant for the Animal Welfare Institute in Washington DC. "Obviously, we don't want that to happen, so we're lobbying for better compensation to property owners."

Activists on both sides of the issue are also pushing for earlier listings to prevent crisis confrontations. One Louisiana logger pointed out that the black bear was a legal hunting target until shortly before listing as an endangered species.

"We believe the Act could be more efficient if listings occurred earlier," says Kathryn Hartnett, a director of the National Cattlemen's Association. "And we also think the law could be applied more efficiently."

Hartnett points to the ESA's limited success in restoring many species to healthy levels. Hundreds of species have been added to the list, which is expected to top 1,100 by 1996, but only five have recovered enough to be removed from it.

"We think more money should be applied to the recovery of species which stand a real chance, while others should be abandoned as basket cases," says Hartnett.

Although opponents and supporters of the Act are beginning to work together, the two sides are probably on course for more bitter clashes over the next few years.

And if the Act is strengthened, as is expected, land use industries in the US may have even more to lose in the battle to preserve biodiversity in the US.

Sceptical ears are deaf to old refrain

By Bronwen Maddox

Destruction, deterioration and degradation of the environment is the refrain of the 10th edition of State of the World, the annual bible of the Worldwatch Institute, a Washington DC-based think tank known for its gloomy forecasts of the world's future.

The institute and its founder, Lester Brown, have built a considerable international reputation on the back of this annual compilation of reports and essays, translated into 27 languages.

But despite this year's emphasis on the economic costs of environmental damage, the book is part of that broad stream of environmental writing likely to be of interest mainly to the converted. The collection - each of the nine chapters by a different author - bombards the reader with warnings of disaster and exhortations to action, from reviving coral reefs to "rediscovering rail" and "preparing for peace".

This apparent lack of discrimination between problems is particularly marked in Brown's opening chapter, which crams a reference to most environmental issues into 17 pages. The problems have never been greater, he claims, while faith in science to solve them has shrunk.

Assumptions are presented as fact in sub-clauses such as "... given the deteriorating state of the planet..." along with other highly debatable views.

One of his central claims is that "the environmentally destructive activities of recent decades are now showing up in reduced productivity of croplands, forests and fisheries... in rising health care costs for cancer, birth defects, allergies, emphysema, asthma". However, these sweeping assertions ignore the argument that increased incidence of cancer in industrialised societies is partly due to people living longer - by many standards a success. Nor do they question how much food production in Africa or the former Soviet Union has been affected by political disruption.

His most ambitious claim is perhaps that we have arrived at "the end of rapid GNP growth", and that the "worldwide" recession he has identified is caused partly by

"environmental degradation". His study quotes scientific reports suggesting that annual "losses" from sulphur deposits on European forests could be \$30bn (€20bn) a year. However it does not attempt to offset these against the extra costs that would fall on industry from cleaning up, and so is able to reach the conclusion that such pollution is causing a "heavy economic toll".

A reluctance to recognise successful responses to threats is also detectable in statements such as: "In Rio [at last year's Earth Summit] the risks to life posed by the loss of stratospheric ozone were on everyone's mind, a threat not even imagined in 1972." But treaties to phase out ozone-depleting chemicals were in place at that point, which gave many Rio delegates hope that more complex problems of climate change could be successfully tackled.

When pressed on these questions face to face, Brown gives clearer answers than his text, and ranks population growth and global warming as the most important threats. Many would agree with those priorities, including the new Clinton administration, which has just indicated that it will restore public funding for the United Nations Population Fund, curtailed in the 1980s because of domestic objections to work involving abortion.

Although reluctant like many environmentalists, to welcome nuclear power as a solution to the carbon dioxide problem, he says: "Our objections are not for ideological reasons but for economic ones - it doesn't look to us as though nuclear is going to make it." He also argues: "I'm not saying there aren't solutions for environmental problems, just that we can't keep on doing what we're doing."

However, few of those qualifications have made it into print. This year's Worldwatch report is dispiriting because of what it suggests about the state of environmental debate, rather than the state of the world.

*State of the World, 10th anniversary edition, Worldwatch Institute, Earthscan Publications, 120 Penitence Road, London N1 9JN. pp268, £9.95.

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SINGAPORE AIRLINES

Asea Brown Boveri, the Swedish-Swiss engineering giant, is going through what it calls "a new industrial revolution" in its plants around the world.

Known as the T50 strategy in Sweden, where it is most advanced, it has a firm objective: to halve all lead times in the company's activities by the end of this year. This is being done by decentralising work responsibilities and widening individual worker skills within teams.

"We have made work cycle times the instrument for reform," declares Bert-Olof Svanholm, ABB's Swedish president. The inspiration behind T50, "Time at work is a concept everybody can understand."

The company can point to some early successes for the strategy. In its power systems production it has cut the time for making high-voltage direct current transmission equipment from three to two years. The time for supplying customers with standard switch gear has fallen from three to five weeks to three to five days from receipt of the order to delivery. Cycle times in ABB's components division have been reduced from 86 to 35 days.

ABB started to introduce T50 into its Swedish plants in June 1990. In the company's words it is "a programme with a beginning but no end". An estimated half of the company's 32,000 Swedish workers are now involved actively in the strategy with most of the rest in the initial stages. So far the company claims that, on average, cycle times have been slashed by 21 per cent and more than 300 high-performance teams have been created.

Until now, ABB argues, most companies have given the highest priority to reforming direct production methods. "For too long the direct production area alone has been the *autostada* of manufacturing and little attention was being given to what happened before and after it," explains Svanholm.

He draws inspiration for the strategy from the practice of lean management so widespread in Japan's auto industry. "We are trying to blend Japanese methods with the Swedish work culture," he explains.

The drive behind T50 has come from the top of ABB under the direction of Percy Barnevik, the company's charismatic chief executive. He made his senior managers read and digest the influential management study from the Boston Consultancy group - *Competing Against Time* - when it was published three years ago.

The company is perhaps better suited than most Swedish enterprises to introduce the time-based concept into its operations. "We have become a very decentralised organisation over the past 10 years," explains Svanholm. "If we

Asea Brown Boveri is transforming its factories by slashing lead times, reports Robert Taylor

Resetting the clock



Percy Barnevik, ABB's chief executive, is the driving force behind the T50 strategy to revolutionise working practices

had tried this in the old days of stratified management hierarchies there would have been so much resistance and it would have been abandoned within a fortnight."

It was the structural change pushed through by Barnevik in Asea during the early 1980s that paved the way. The T50 concept was a logical evolution from the existing organisation, not a radical break with past practice.

T50's most important result has been to place the much-hyped, but seldom-practised, principle of customer satisfaction at the centre of ABB's priorities. "The customers are our focus. We must respond to their demands for the delivery of orders on time," says Svanholm.

It is the close alliance forged between the company and the trade unions that smoothed the way for T50. Indeed, says Svanholm, the trade unions at ABB are as enthusiastic as the company in transforming the work process. "They were in on the strategy from the start," he points out.

According to Klaus Eklund, who

headed a government-commissioned inquiry into Sweden's productivity problems, ABB has gone much further than other companies in creating "a coalition between progressive management and blue-collar unions in boosting productivity".

The unions, moreover, have established their own committees to monitor T50 and make sure it works with the full involvement of their

'There is a lot of bullshit in management theory about treating people as a human resource'

members. Without such co-operation it is hard to see how T50 could make any headway in ABB's Swedish plants, where the unions remain powerful.

In part, the strategy has developed in response to the expressed views of the company's own employees. Three years ago ABB

commissioned an independent opinion survey of the shopfloor mood. It found that while manual as well as white-collar workers were loyal and committed to the company they felt they did not enjoy enough influence over their own working conditions, their work was not being managed effectively enough and there was a lack of team spirit.

Such findings strengthened Svanholm's conviction that the company needed to reappraise its attitude to its own employees. "We want to create a new kind of independent-minded, all-round worker," he explains. "There is a lot of bullshit in management theory about treating people as a human resource. But too often that has meant very little in practice. We really do believe workers should become adaptable and independent and as a result gain more control over their own work."

For ABB T50 means the prospect of bigger profits, better productivity and higher quality products as well as lower absenteeism and labour turnover. For the employees it

means a better working environment, greater job interest with constant skill upgrading, and eventually a better wage rate linked more closely to individual effort.

The creation of what ABB calls Target Oriented High Performance work teams made up of 10 to 15 workers is crucial to the T50 strategy. "The old system handed down orders from above through different, fragmented departments and it was very time-consuming," explains Kenneth Synnersten, ABB's executive vice-president in charge of T50 in Sweden. "Now we organise around the flow of production through the team approach."

The traditional system involved specialised demarcation of responsibilities for sales, inventories, production and distribution with an inevitably high level of bureaucratic managerial control and top-heavy administration. By creating smaller, flexible work teams with wider responsibilities the frontiers between administration and production have been abolished.

The new strategy has also brought the collapse of the barriers separating white- from blue-collar workers. Now all ABB employees are called "associates" and under new agreements will have the same pay rates, working hours, holidays and travel allowances, although this has brought some difficulty with some white-collar workers who fear a threat to their status.

T50 has also introduced what Svanholm calls a "flat organisation with fewer bosses and more workers taking on responsibilities". As a result the functions of ABB's line managers have been transformed.

"They have many more demanding job tasks to do now," says Svanholm. "Before they were a combination of policeman and errand boy. Now they act as a support for workers." The foremen and the production engineer are being turned into "coaches" who move between the work teams to assist when needed.

The company puts a strong emphasis on training and education. The need to upgrade worker skills lies at the heart of the T50 strategy. What ABB wants is to heighten the competence of each worker within the team.

The strategy, however, is not trouble-free. It is being introduced at ABB in the middle of recession. "So far this has not affected the programme," insists Synnersten. But the strategy means a leaner workforce. Without any growth in production up to a quarter of ABB's jobs may disappear as a result.

"Yes, T50 will mean fewer jobs," admits Anders Vallius from the Metalworkers union. "But if we can increase sales in the longer term then employment opportunities will go up as well. We know ABB must stay ahead of its competitors."

Survival of the best qualified

Alan Cane examines the strange case of the vanishing IT directors

Information technology directors, sometimes called chief information officers, enjoyed a brief moment of glory in the late 1980s. Since then, they have begun to resemble an endangered species. A surprising number of these highly qualified and capable individuals, including some well-known names, have either resigned or lost their jobs.

Michael Earl, a professor at the London Business School, and Philip Vivian of the executive search firm Egon Zehnder were intrigued by the "mystery of the vanishing CIOs" and set out to compile a survival kit for what many now acknowledge as the toughest job in a company, combining technical competence with general management abilities.

CIOs emerged in the 1980s as the realisation grew that IT could have an influence in a company well beyond cutting administrative costs. IT budgets increased sharply on the promise of computer-based competitive advantage and CIOs were appointed to manage and exploit the technology.

But CIOs made chief executives feel insecure. One told Earl and Vivian: "What keeps me awake at night is not knowing whether my IT director is doing a good job."

Careful comparison between 10 CIO "survivors" and 10 who had failed to stay in post revealed five significant differences:

● Relationship building. Survivors actively built relationships with their peers and superiors in ways which enabled them to command support for IT within the organisation. It took time and effort. One survivor claimed it took two years to interest and educate a new senior executive.

Non-survivors, on the other hand, fought shy of these relationships. One agreed he did not enjoy "the diplomacy and politics required in a corporate role".

● CEO relationship. Survivors were close to the CEO and enjoyed their support for IT investments. Non-survivors had a poor or non-existent relationship with their chief executive. Typical comments were: "With successive organisational changes, I became more remote from the managing director and when we had a bad

patch, I had no support or sponsor," or: "He was the wrong guy to take IT forward; he was obsessed with costs."

● Shared IT vision. Survivors worked to create a vision for IT's contribution to the business and made sure it was shared with the company's senior executives. Non-survivors either hugged the vision to their chests: "The global information systems strategy was about the lack of one: 'It was a very short-term sort of business.'"

● Sensitivity. Survivors seemed to have a fine sense of which battles to fight and which to avoid: "Be dynamic, but only in what the company is ready for," concluded one. Non-survivors, on the other hand, were often at odds with senior management over important policy shifts. "Being antagonistic once or twice works, but in the long run it is wearing on people," said one sacked CIO.

● Credibility. Survivors delivered the goods operationally. "We are a factory," one survivor said. "If the organisation is not satisfied with operations the whole view of IT is affected," said another.

Non-survivors often met neither performance nor financial targets. Survivors also combined technical know-how with social skills and had spent more time in data processing than non-survivors. General managers pressed into the role of CIO prove unsatisfactory, Earl and Vivian conclude.

They suggest that chief executives should treat IT as a legitimate "nursery" for the company's best talent and seek to develop young executives' IT expertise by a spell in data processing.

But CIOs find it hard to break out of the IT mould, even at a price. One former CEO and CIO said: "I want to take up a CEO job again, but I only get offered CIO jobs. I would want four times the rate for being CIO that I would accept for being CEO."

"The rule of the Chief Information Officer: a study of survival. Available free from the London Business School or Egon Zehnder International, Mayfair Place, London W1X 8PH."

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Television/Patricia Morison

The killing fields brought home

In the wrong part of Sarajevo, the washing-up can cost you your life. Panorama's *Forcing a Peace* (BBC 1, Monday) began with reporter Martin Bell and his crew filming people who daily run the gauntlet to fetch water from a tap in a cellar, the only running water left in their neighbourhood. Each day, Serb snipers pick off their toll of victims. We saw a young man shot in the thigh, saw the fresh wound, and his puzzled expression suddenly wiped away by the white-faced immobility of shock. Bell's interpreter, a doctor, staunchly the wound and the BBC jeep did duty as an ambulance.

This was a notable feat of reporting and deeply harrowing. Bell's team filmed the fighting in the front-line of the battle, from trenches cut through Sarajevo's Olympic Village. Killing and the daily struggle to live are closely intertwined. As trees in the parks are hacked down for firewood, the snipers aim gets ever more accurate. The parks, and now a football pitch, have been taken over for cemeteries. A bread-queue makes an easy target.

Over the months, film-clips on the news broadcasts have tended to become clichés which actually make it harder to register what life is actually like in Sarajevo. Time and again, we have seen puffs of white smoke drifting over what still seems like a picture-postcard prospect of tiled roofs, tawny-coloured churches and minarets. Film of UN military vehicles on the road to the airport can become an image of normality. Last night's images gave the lie to that when we saw UN vehicles speed past a young

woman lying by the roadside in a pool of blood.

It takes time to bring home the savagery of the war in Bosnia. Monday night's *Panorama* seemed like a very long 40 minutes. A Muslim woman spoke of months of captivity with 12 other women, and of being subjected to rape once, twice, or more at night. She spoke, too, of a six-year-old girl held with them. A UN worker described in detail the manner in which amputations had been carried out in one hospital in a besieged Muslim town. Children endure that, too, and the wonder is that some of them even survive.

Bell's point was a simple one: that the ordinary Bosnians suffering has been so great that the outside world must now intervene to force a peace. Rightly, he did not get into discussion of precisely how that might happen, and what it might cost in non-Bosnian lives. His aim was an unsparring and, in the end, even-handed presentation of the ghastliness of this war. In a Bosnian Serb village, 23 were massacred, either shot or their throats cut in cold blood. Their corpses lay in a room awaiting burial, white and stiff as tailors' dummies. Some had been shot, others had had their throats cut.

For some reason, in the UK the Bosnian tragedy has failed to trigger that mysterious thing, a public sense of pity and outrage. The trivialisation of TV news can hardly have helped. Last year's revival of ITV's *News at Ten* has left it with a glib format which on some nights teeters on the edge of inanity. Serious current affairs documentaries of the calibre of *Panorama* are more to be prized than ever.

Until this week, I had a false image of what going down the Nile on a pleasure-boat entails. My mental picture was of people on deck-chairs beneath an awning, looking with rapt interest at the immemorial landscape of palms, peasants, and water-buffalo. But apparently it is not like that at all, according to BBC 2's Assignment report on Egypt, *The Gun and the Veil* (Tuesday).

These days, people go down the Nile lying side by side, nearly naked and sweating oil rather than in the manner of sardines on toast. It seems not so hard to sympathise with the views of Omar Abdul Rahman, leader of the Islamic League. The sheikh is a venerable, blind, holy man who lives in voluntary exile in New York after being tried, respectively dressed tourist who wears ankle-length skirts and a head-scarf. Since followers of the Islamic League have murdered a small number of tourists, one would have appreciated a directive from the sheikh. At any rate, substantial damage has been done to the tourist trade, allegedly down some 30 to 50 per cent this year, causing the loss of millions of dollars in revenue.

And yet, there is far more to the rising tide of religious orthodoxy in Egypt than highly-publicised violence against westerners. In a poor

(albeit by no means the poorest) district of Cairo, the kind of area where tourists never penetrate, the blocks of flats look onto lakes of sewage. In such districts, the Muslim Brotherhood runs cheap yet effective clinics where doctors and nurses show themselves to be kind, compassionate, honest – in a word, to be good Muslims. This sense and sympathy made documentary showed that it is qualities like these which may be the keenest weapon in the armoury of so-called Islamic fundamentalism.

Femme Fatale by Simon Gray, in the current season of *Screen 2* (BBC 2, Sunday), was a black comedy about how the random relations between good intentions and evil consequences. Not vintage Gray, perhaps, but an enjoyable play all the same. Its problem lay with a dangerously slow opening. Of course the ironic undertow was there, only it seemed to be flowing a mile too sluggishly to compensate for the setting, twee flummery in a Somerset village. For a while it seemed that this was merely an EC version of *Cold Comfort Farm*, with a diminutive, hot-blooded Italian virgin (Sophia Diaz) brought in as agent provocateur.

Things did pick up speed once the characters developed a bit and once the cloven hoof of Vicar Ronnie became clearer, played by Simon Callow. Garage-owner Algie (James Fleet), made a splendidly evil Scots seducer who never got his girl. Without being hilarious, there was plenty to smile at. It made a nice touch to have the corpulent shopkeeper (Colin Welland) almost as enamoured of his Italian daughter-in-law's pasta, pronounced as in meat *pasta*, as her voluptuous body.



Martin Bell in Sarajevo: the parks and football pitches have been taken over as graveyards

Last week's *Essential History of Europe* (BBC 2, 9.00), will surely have left Luxemburgers feeling put out, and with good reason. The opening proposition was that "more Luxemburgers commit suicide each year than are killed on the road." Which fact is, of course, wholly meaningless unless we are also told about the country's road safety record.

Instead, we were left to deduce unfavourable conclusions about the lives of the poor folk of that tiny nation. Later, there was sinister mention of a bridge from which suicides throw themselves, an effective and time-honoured method of doing yourself in which is also popular in London, Bristol, and Paris. What really is the evidence that

Luxemburgers are the lemmings of the EC?

As far as I know, every country in the EC has a drugs problem so it seemed gratuitous to fasten on the drugs scene in Luxembourg. Furthermore, it is plain silly to claim anything paradoxical in a country where jobs are plentiful and living standards are notably high, having the same proportion of drug addicts as in "other major capitals".

From the stand-point of this oddly prejudiced, often self-contradictory analysis, Luxembourg was in a no-win position. The strangest things were marked to the debit side of the slate: that there is only one prison, and that one third of its inmates are there for drug-related crimes. Again, without statistics this is

meaningless. Maybe there is a super-efficient gendarmerie, or maybe there are only thirty criminals in jail.

The children of the country's large influx of Portuguese workers "are becoming Luxemburgers" – the innuendo being this is per se a bad thing. In the last war, the "German occupation focussed Luxembourg's frail sense of nationality". Why should it be judged frail, given that previous speakers had stressed the cohesiveness of this fortress state, its inhabitants bound by their "secret language" and their passion for clubs. It will be interesting to see what next week's concluding film in this provocative series makes of Belgium's wartime experience.

Opera/Richard Fairman

Popular revivals in London

When money is short, it is a prudent opera company that strives to get maximum mileage out of productions which it knows work well. Two revivals of trusted stagings, one at each of the London opera-houses, returned at the weekend and it is good to report that neither gives the impression merely of a tired warhorse being trotted out for another run.

The Royal Opera's *Il barbiere di Siviglia* has arguably improved on each occasion that it has been seen and this revival brings together some of the best individual performances encountered so far: a cast confident of its star appeal, balancing brash, youthful vigour with wily experience. The main newcomer is Thomas Hampson in the title-role. This is his debut with the Royal Opera, not before time, and an occasion which he enjoys to the full, singing out proudly with his easy, impressive, ample baritone and generally making sure that his role is the focus of attention. He bestrides the stage with an overpowering all-American confidence, which is not necessarily right for Rossini's lowly barber who lives by his wits alone, but the flair is irresistible.

Alongside him are two American colleagues happily remembered from previous revivals, Jennifer Larnore

as an attractive, vocally sure Rosina and Bruce Ford, a sensitive Count Almaviva with not quite enough personality. Simone Alaimo creeps on as a spooky Don Basilio, the sepulchral presence cleverly underplayed, the voice a real Italian Rossini bass. Not to be outdone, Gabriel Bacquier's Don Bartolo proved a master at deploying the killing comic touch at the most lethal moment and is still a singer of some force, even though he will be 70 next year. Can the reference books really be right?

All were kept firmly together by Evelino Pidò, who trussed up the score rather fearfully, allowing few musical freedoms but kept the pace bright and swift. He also encouraged his singers to bring along a selection of their own vocal ornaments, which is all to the good. No lack of sparkle there, or in any other department.

The conducting of Mark Elder was the feature that gave the strongest profile to English National Opera's revival of *Rigoletto* on Thursday. Even when the production was new (how long ago that seems now!) he did not bring it the urgency, the powerful feeling of the music driving the drama forwards, that made this performance so convincing.

Among the principals, the only newcomer here was Ross Manning, bravely singing Gilda over, and at times audibly through, a heavy cold. Even in these circumstances, however, the beauty of her singing shone forth and she made the character tellingly progress, from the lightly floating virginal purity of the early scenes to the tragic victim she becomes after the abduction. Arthur Davies remains a dashing, youthful Duke, singing with winning freedom, except when he is ambushed by vocal doubts in his Act 2 aria. Jonathan Summers is again the powerful, unsuited Rigoletto, but one who commands the stage.

According to the advertisements in the press, this now renowned mafioso *Rigoletto*, like so many prima donnas who announce their retirement only to re-appear, is again on the point of disappearing for good. If there really is anybody who has not yet seen it, this is the last chance – and probably as good a one as any.

Il Barbiere di Siviglia at Covent Garden until 5 March (Box Office 071-240 1066). *Rigoletto* at the London Coliseum until 12 March sponsored by National Power (Box Office 071-436-3161).



Royal Opera debut: Thomas Hampson makes a splendid Barber

Concert/Andrew Clements

Solti and the Vienna Philharmonic

an occasion to inspire only modified rapture; artists and repertoire had been mismatched in a strangely perverse way. Applying Solti's angular propensities to a Mendelssohn symphony is the musical equivalent of breaking a butterfly on a wheel, while the VPO's greatest admirers would not dare to claim that it plays Shostakovich

with the same distinctive flair and style it brings to the Viennese classics or to Strauss.

Yet a genuinely great orchestra, which the Vienna patently still aspires to be, really should have the potential to adapt its approach rather than construe everything within its own terms of reference. It did so brilliantly at the Proms

last August when playing for Boulez, but seemed to be operating strictly on autopilot for the Shostakovich here.

Solti, who appears to be working systematically through the canon, was strangely restrained in the Fifth too. One expected this conductor and these strings to make something more of the opening

paragraphs and to invest the heart of the slow movement with sensuous depth, but no. Even the finale, launched at a frantic pace, ran out of steam well before the close. It was pallid, routine, underwhelming.

Only an encore of the *Fledermaus* overture, whipped and driven in the Solti way with a sort of tight-lipped humour, showed any character; by then it was too late.

At the Royal Festival Hall; final concert May 30



Alastair Muir

The star of Harold Pinter's 'No Man's Land', which has moved from the Almeida in Islington to the Comedy Theatre in the West End, is not so much Pinter the writer as Pinter the actor. Pinter plays Hirst, the part originally taken by Ralph Richardson in the National Theatre production in 1975. In the second act he shows one of the most commanding stage presences I have seen, often by not speaking. Paul Eddington plays the other sexagenarian, Spooner, following John Gielgud in the original. The influence of T.S. Eliot is pervasive and presumably deliberate. This is Pinter as the author must wish it to be done. It is often vacuous, but it is sensational to watch.

The Vienna Philharmonic is giving three London concerts during the current season, part of its "European series" shared with Paris and Berlin. James Levine conducted the first programmes in November and Riccardo Muti will take charge of the last in May; Georg Solti appeared with the orchestra on Monday for a programme of Mendelssohn (the Fourth Symphony) and Shostakovich (the Fifth).

The combination of Solti and an orchestra still able to trade on its illustrious pedigree ensured a full, rapturous house. It was, though,

INTERNATIONAL ARTS GUIDE

BARCELONA

Gran Teatre del Liceu Ballet de l'Opéra de Paris opens a two-week residency on Mon with the Nureyev production of *La Bayadère*, daily till Feb 20, followed by a Jerome Robbins programme Feb 23-27 (412 3532). *Mercat de les Flors* Tomorrow, Fri, Sat, Sun: Andres Corchero Company in a dance programme entitled *Elegia* (318 8539). *Palau de la Musica* Antoni Ros Marba conducts Barcelona City Orchestra in works by Ravel and Franck on Fri and Sat evening and Sun morning (268 1000).

BONN

Giancarlo Del Monaco opens his new administration at the reconstructed Bonn Opera House on Sun with Otello conducted by Dennis Russell Davies. Further performances on Feb 21, 25, March 7, 10, 13, 28 with casts including Alexei Stoblianko and Julia Varady. Valery Panov's chamber ballet impression

can be seen daily except Sun till Feb 21. The next new production is *Der Freischütz* on Feb 28 (773657). Tomorrow's orchestral concert at the Beethovenhalle is conducted by Jan Krenz, with Liya Zilberstein soloist in Rakhmaninov's Third Piano Concerto (773656).

COLOGNE

Philharmonie Tonight: American String Quartet plays works by Beethoven, Brahms and Dvorak. Sat: Gianluigi Gelmetti conducts Stuttgart Radio Symphony Orchestra in Mahler and Stravinsky. Sun afternoon: Hakan Hardenberger plays trumpet concertos. Sun evening: Joan Baez. Next Wed: Anne Sophie Mutter (2801).

Opernhaus Fri: Tanz Forum triple bill. Sat: Lohengrin with Gary Lakes, Eva Johansson, Sergei Leiferkus and Gabriele Schnaut (also Feb 17, 28). Mon: Die Fledermaus (221 8400).

Schauspielhaus Theater an der Ruhr's guest production of Shakespeare's *Macbeth* can be seen tomorrow and Fri. Repertory includes Heiner Müller's *Shakespeare Commentary* directed by Günter Krämer John Ford's *'Tis Pity She's a Whore* and Wedekind's *Musik* (221 8400).

DRESDEN

Dresden this weekend marks the anniversary of the city's destruction by allied bombing in February 1945. Colin Davis conducts the Staatskapelle and State Opera Chorus in

Beethoven's *Missa Solemnis* on Sat and Sun at the Semperoper (484 2731). Jörg-Peter Weigle conducts the Dresden Philharmonic Orchestra and Chorus in sacred works by Bach, Rentsch and Haydn on Sat in the Kulturpalast (486 6308). The opera programme at the Semperoper includes La Cenerentola with Kathleen Kuhlmann tonight and Mon, *Bartered Bride* tomorrow and *Elektra* on Fri and next Wed (484 2731).

FRANKFURT

Alte Oper Tonight: Gerry Rafferty. Tomorrow and Fri: Hiroshi Wakasugi conducts Frankfurt Radio Symphony Orchestra in works by Pfitzner and Barok.

Sun morning and Mon evening: Yuri Aronovitch conducts Frankfurt Opera Orchestra in works by Dvorak and Scriabin. Sun evening: Gianluigi Gelmetti conducts Stuttgart Radio Symphony Orchestra in Rossini, Schumann and Mahler, with soloist Heinrich Schiff (1340 400).

Opernhaus Tonight and Sun: Jan Fabre's ballet *The Sound of One Hand Clapping*. Sat and next Wed: Britten's *A Midsummer Night's Dream* (238031).

THEATRE Schauspielhaus Tonight: premiere of Anselm Weber's new production of *Sophocles' Antigone* (also Fri, Sat, Sun). Tomorrow: Schmitzler's *Undiscovered Country*. Sun and Mon: late evening performances of Euripides' *Cyclops* (2123 7444).

Jahrhunderthalle Fri and Sat: guest performances by Berlin Komödie of Neil Simon's 1963 play *Barefoot in the Park* (360 1240).

HAMBURG

Staatoper Tonight and Sat: Turandot. Tomorrow, Sun and next Wed: Eliahu Inbal conducts John Dew's new production of *Aida*, with Maria Guleghina, Livia Budai, Michael Sylvester and Franz Grundheber. Fri and Tues: *Ariadne auf Naxos* (351721).

LYON

Auditorium Maurice Ravel Tonight, tomorrow, Sat, Sun: William Christie conducts Rameau's *Les Indes Galantes* (7828 0960). Feb 19, 20: Neeme Järvi conducts Orchestre National de Lyon (7880 3713).

MADRID

Teatro Lirico La Zarzuela Tomorrow and Mon (also Feb 19, 23): Jenufa, with Natalia Romanova and Leonie Rysanek (429 8225).

Auditorio Nacional de Musica Fri, Sat, Sun: Roberto Montenegro conducts Spanish National Orchestra in works by Paul Ben Haim, Cesar Cano and Scriabin (337 0100).

MUNICH

Gastspiel Tonight: Joan Baez. Fri evening, Sun morning: Sergiu Celibidache conducts Munich Philharmonic Orchestra in

Bruckner's Fifth Symphony. Mon: Budapest Symphony Orchestra (4809 8814).

Herkulesaal Christian Zacharias piano recital. Fri: Semyon Bychkov conducts Bavarian Radio Symphony Orchestra in Mahler's Ninth Symphony. Mon: Meos Quartet (289501).

Cuvillies-Theater Sat: Così fan tutte with Amanda Roocroft and Manfred Hemm. Feb 17, 19, 21: *Le nozze di Figaro* with Margaret Marshall and Wolfgang Brendel (221316).

Theater im Marstall Tomorrow: first night of Bavarian State Opera production of five short operas of the 1920s, including Milhaud's *L'enlèvement d'Europe* and Hindemith's *Hin und Zurück* Repeated Feb 13, 14, 16, 18, 20, 23 (221316).

NEW YORK

THEATRE ● Oleanna: David Mamet's powerful drama about a university professor and a young female student (Orpheum Theatre, 126 Second Ave between Seventh and Eighth Streets, 307 4100).

● The Sisters Rosensweig: Wendy Wasserstein's new play, a comedy with serious undertones, about the reunion in London of three American Jewish sisters (Mitz E Newhouse, Lincoln Center, 239 6200).

● Anna Christie: Natasha Richardson and Liam Neeson in Eugene O'Neill's drama of the high seas (Criterion Center, Broadway at 45th St, 868 8400).

● Forbidden Broadway 1993: new edition of Gerard Alessandrini's parody of Broadway shows (Theatre East, 211 East 60th St, 838 9090).

JAZZCABARET Algonquin Hotel David Staller in the Oak Room has an early show based on Rodgers and Hart, and Noel and Cole (59 West 44th St, 640 6800).

Ballroom Brazilian-born samba singer Beth Carvalho is in residence in this green music hall which features a steady stream of pop and cabaret stars (253 West 28th St, 244 3005).

Blue Note This week's music is provided by an acoustic trio featuring Stanley Clarke (131 West 3rd St, near Sixth Ave, 475 8592).

Carlyle Hotel Eartha Kitt is here till March (Madison Ave at 78th St, 744 1600).

ROME

Teatro Olimpico Tomorrow: Anatoli Ugorski piano recital (323 4890). Next Wed at Auditorium: Claudio Abbado conducts Berlin Philharmonic Orchestra in works by Strauss and Brahms (686 4759).

Teatro dell'Opera Sat: Michel Plasson conducts Bizet's *Pearl Fishers*, with Giuseppe Sabbatini and Alessandra Ruffini (also Feb 16, 19, 21, 26). Sun and Mon: Vladimir Fedoseyev conducts Moscow Radio Symphony Orchestra in Tchaikovsky's First Piano Concerto (Sergey Erokin) and Fifth Symphony. Feb 20, 24, 28: Lucia di Lammermoor with Alfredo Kraus (481 7003).

European Cable and Satellite Business TV

(all times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0700; 22.30

MONDAY Super Channel: West of Moscow 1200. Super Channel: Financial Times Reports 0630

THURSDAY Sky News: Financial Times Reports 0130

FRIDAY Super Channel: European Business Today 0700; 1200; 2230. Sky News: Financial Times Reports 0530

SATURDAY Super Channel: Financial Times Reports 0630. Sky News: West of Moscow 1130; 2230

SUNDAY Super Channel: West of Moscow 1830. Super Channel: Financial Times Reports 1900. Sky News: West of Moscow 0230; 0530. Sky News: Financial Times Reports 1330; 2030

Edward Mortimer



There should be German troops in Northern Ireland. It might not solve the Northern Irish problem, but it could well be the solution to the German problem.

Some readers may be surprised to hear that there is still a German problem. Others may suppose that today's German problem is an economic one. But if you had been at the annual Munich Conference on Security Policy last weekend, you would know that the new German question is about German troops serving outside the Nato area. It falls into several parts:

- Where can the troops go?
- What can they do when they get there?
- What colour helmets should they wear?
- Is a constitutional amendment required?

Chancellor Helmut Kohl wants to be free to send German troops anywhere, and for any purpose - "peacekeeping, peace-making and peace-enforcing" - required by the United Nations. He does not think an amendment is needed, but has agreed to seek one, in deference to his Free Democratic party coalition partners.

The trouble is, he cannot muster the requisite majority without the support of the Social Democratic (SPD) opposition. The SPD, for its part, thinks the Bundeswehr should be available to the UN only for "blue helmet missions" - a phrase generally understood in Germany to refer to traditional UN peacekeepers, who can use force only in their own defence. The SPD parliamentary leader, Mr Hans-Ulrich Klose, said his party had accepted "the now very much wider spectrum of such operations... including the monitoring of embargoes, underpinning humanitarian operations, setting up protective zones and the preventive stationing of blue helmets, that is, approximately 90 per cent of all the missions that have occurred so far".

Mr Klose added that he himself "would be in favour of having the Bundeswehr participate in all such missions of the UN or regional organisations under its mandate, even where - to accomplish the set goal - force had to be used as well".

Ready, willing but still unable

A proposal to give Germany a role as peacekeeper

He would take exception only to missions "whose goal is the use of force".

Since it is hard to imagine the goal of any mission being defined as the use of force for the heck of it, this formulation took Mr Klose within spitting distance of the chancellor's position.

It caused a ripple of excitement, but only a ripple, since it appears Mr Klose has no chance of carrying his party with him; and even he said he would be stricter than the government in insisting on a "definite link with a specific and

Europeans seem to agree that German troops cannot be used in the former Yugoslavia

lasting UN mandate".

Everyone in Germany seems to agree that the use of force, other than in direct defence of yourself or your allies, has to be somehow legitimised by the UN. Only non-official English-speaking visitors at the conference were so ungracious as to point out that this means making any military action by western countries, whether to rescue people from genocide or to prevent a local war from spreading, dependent on the whim of the Chinese and Russian governments.

Not only Germans but Europeans in general seem to agree that German troops cannot be used at present in the former Yugoslavia. It was therefore discouraging, for those who see American troops as an essen-

tial ingredient of any serious effort to end the war in Bosnia, to hear a prominent Republican senator, Mr William Cohen, say that Congress was unlikely to sanction direct US military involvement unless there was German participation "not just in Awacs (surveillance aircraft) but behind artillery pieces and perhaps in tanks".

As things stand, even the German crew members on the Nato Awacs aircraft now monitoring the no-fly zone in Bosnia will have to be withdrawn if and when the Security Council authorises military action to enforce it.

Europeans have come to accept Germany's inability to join any military action in the former Yugoslavia as a fact of life, not least because they know the arrival of German troops would be exploited in Serbian official propaganda. But many speakers did question Mr Kohl's rationale for not joining when he said "there are places in Europe where it is out of the question for German divisions to be sent, because there are people still alive who have a very concrete experience" of the second world war "and all the horrors connected with it".

Americans especially, but some Germans too, said it was quite wrong to equate today's democratic Germany with yesterday's Nazi Germany, or the Bundeswehr with the Wehrmacht. On the contrary, Germany's past war crimes gave it all the greater obligation to involve itself in efforts, including military efforts, to preserve the peace in Europe now.

If the chancellor's argument were to be accepted, said Mr Josef Joffe, foreign editor of the Süddeutsche Zeitung, the German newspaper, the only place in Europe where German troops could be deployed would be Sweden.

Perhaps he is right, but I think Northern Ireland might be prepared to put up with them, in spite of its memories of German bombing. It is clearly inside the Nato area, and with a bit of effort Germany could field units comprising equal numbers of Catholics and Protestants.

And then 12 British battalions based in Northern Ireland, with plenty of "peacekeeping" experience and no constitutional inhibitions about serving anywhere, would be free to do their bit for the new world order.

Ms Theresa Bergne went into her bank last week to express her annoyance at the charges it makes if she goes into overdraft. The prospect of being charged even if she stays in credit is worse. "I would be absolutely furious," she says. "I have my money, and they earn interest on it. I shouldn't have to pay for every little piece of administration," she says.

The high street banks are hardly popular at the moment, partly because of criticism of lending policies to small business. But an end to "free" banking for personal customers threatens a nadir in their reputation. "I think they are going to be in the firing line," says Mr Alistair Darling, the Labour party's City of London spokesman. "They will expose themselves to the accusation of extracting money to pay for their past mistakes."

Fears of criticism have delayed charges. But they may not be far off. The first move was made last week by Save & Prosper, the small bank owned by Robert Fleming. It said that from April it would charge 15,000 holders of its Classic current account if their balance falls below £1,000.

It now appears only a matter of time before big banks start imposing charges on a large proportion of their 49m personal accounts. The banks all publicly insist that they have no plans to start charging. But privately, several fear a rival might break ranks during the season of full-year results announcements, which starts on Friday with Lloyds.

Pressure has been raised by the fall in base rates to 6 per cent. This has undermined the shaky economics of free banking by cutting the amount that banks earn from balances in current accounts. The returns on both money market and corporate lending have fallen along with base rates. One bank estimates that it now loses money on 80 per cent of its current accounts.

The same bank argues that it would be impossible to hold back on charging if base rates fall much further. Banks now estimate that they need an average balance of between £1,000 and £1,500 in each account to generate enough interest income to pay for the annual cost of £90 to £95 of running each account.

The timing of a move to impose charges is a delicate calculation. If one bank acted, the others would be likely to follow. This is because the first might otherwise shift its last

Most UK bank customers may soon have to pay fees on their personal accounts, says John Gapper

A charge that's set to shock



profitable customers to the others. One banker estimates that there are 1m customers whose business no bank really wants without charges because their balances are too low.

Yet tells they would probably follow a leader, most banks are reluctant to lead themselves. This is partly because of fear of public criticism. But it is also because each bank says it needs time to calculate a pricing strategy. By just introducing a blanket charge, the first bank to charge risks repelling its good customers along with its bad ones.

While they ponder this problem, banks have raised charges for personal customers who slip into overdraft. In effect, they are now overcharging them to pay for unprofitable accounts kept in small surplus. "There is a strong argument that those who borrow money are now subsidising those who play carefully by the rules," says one bank chief executive.

Free banking for customers in credit among the big banks was started by Midland in 1984 in response to the challenge from building societies which started to offer cheque-clearing accounts. The other high street banks followed in 1985. The cost of offering customers clearing services free was not such a strain because base

rates were around 13 per cent.

But the innovation had two damaging effects for banks. The first was that the banks encouraged the public perception that they did not provide a worthwhile service. "We have given banking away free, so people have not regarded it as a commodity," says a bank chief executive. "We have made ourselves the only developed nation in the world which does not require payment for core banking."

The timing is delicate. If one bank introduces charges, the others are likely to follow

The second damaging effect of free banking was that it raised the costs of administering accounts by fragmenting the customer base. Because accounts were free, more people opened two. The number of personal accounts at banks, which rose only slightly from 24.5m to 26m between 1981 and 1984, started growing rapidly to today's 49m.

Not only did fewer accounts become profitable as average balances fell, but the costs of processing cheques and card

transactions rose. The banks' Association for Payment and Clearing Services has just estimated that it now costs the banks a total of £4.5bn a year to run the clearing system, about half of which is the cost of distributing cash.

Mr Ian Lindsey, banking director of Save & Prosper, admits that it started charging partly because it feared the average balance in its Classic account would be cut from the current £5,000. "We were already getting accounts that we did not want under the old tariff, and we feared the trickle would become a flood if another bank started charging," he says.

Banks are considering four main strategies which could stop their most profitable personal customers leaving if charges are reintroduced:

- Not charging customers who retain high balances: this is likely for customers with balances above £1,500 because the interest earned on their balances is greater than the cost of operating their accounts. The fine calculation is in deciding which other customers should get free services. Mr Lindsey believes the high street banks may set the limit as low as £500 in order to keep customers whose overall business is valuable.

● Offering different amounts of service for different levels of fee: an obvious example would be to offer 24-hour telephone banking only to those who pay extra. But it is hard to segment existing services because they are offered through branches which are open to all customers. Giving new forms of service in return for fees will only add to overall costs.

● Linking "free" banking to the total value of a customer's business with the bank: this would be a logical strategy to encourage sales of products such as mortgages, loans and insurance. The question is whether banks will be able to preserve their claim to offer independent advice if such incentives are introduced.

● Maintaining "free" banking for young customers. Youth accounts lose money because they usually have low balances. But the loss is worth incurring if it establishes loyalty from a customer who becomes more profitable with age. Young people with earnings potential such as students may continue not to be charged, or may be charged less.

Because banks are likely to choose different combinations of these strategies, the effect on the industry is uncertain. Banks might persuade customers to close second accounts to maintain higher balances in their primary one. But they will be vulnerable to lower-cost competitors such as building societies or telephone banks which can retain "free" banking longer.

Banks look hopefully at the experience of the Barclaycard credit card subsidiary of Barclays when it introduced an annual fee in 1990. It lost 485,000 active accounts and a further 1m dormant ones from a total of 10m within a year. But the number of transactions remained virtually the same, as the same business was conducted on fewer cards.

Mr Richard Reay-Smith, chief executive of Barclaycard, says the introduction of charges was not too damaging because it was carefully planned. By offering new services at the same time as it introduced a fee, Barclaycard created a sense that it was worth paying for.

That is the best the banks can expect. The worst is that there will be a flight of the customers to whom they were hoping to sell more products. When the move finally comes, a lot will turn on the reaction of Ms Bergne and the rest of the growing band of dissatisfied bank customers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Hoover relocation as part of larger trend

From Messrs Sean Shepley and Jonathan Wilmot.

Sir, Are Europe's politicians ready for the single market? Perhaps not if the reaction to the announcement of Hoover's plans to shift production of vacuum cleaners from Dijon to Glasgow is anything to go by. This case has nothing to do with social dumping and everything to do with the single market's basic goal: increased productivity and higher living standards for workers.

A particular result of the single market is that production becomes more concentrated and much more specialised by region. That Hoover's announcement came just days before Nestlé's decision to

move from Glasgow to Newcastle and Dijon was a neat example of the way in which different industries are attracted to different regions. In the US, this process of regional specialisation is far more advanced, suggesting Europe still has a long way to go.

Indeed, the Hoover and Nestlé examples are part of a tidal wave of relocation sweeping across Europe. Many more plants will have to close and possibly even whole industries may have to relocate before we see the most efficient production structure in Europe. In this restructuring process, those regions with best access to Europe's core markets will find it easier to attract production and jobs. Peripheral

regions will have to work harder to create an attractive regional base for inward investment.

One point is clear: by harmonising social conditions, the location advantage of the core regions would be boosted enormously. Although flexibility in labour and product markets is important for all regions, it is absolutely essential for the lagging regions on Europe's periphery. Anything else will be a recipe for mass unemployment, followed by migration to the prosperous core. For us, this is the real "social dumping" that the Community should be worried about.

We go into these issues in greater detail in our recent paper, *Europe: Core vs Periph-*

ery. The response we received from the Dutch authorities appears to us to be far preferable to that seen so far in France.

"The development towards increasing specialisation per region and the substantial importance of clusters of companies therein, already plays an important role in Dutch policy. The policy of the Ministry of Economic Affairs constantly stresses the importance of technology, infrastructure and a well-educated workforce to attract clusters of companies."

Sean Shepley, Jonathan Wilmot, Credit Suisse First Boston, 2a Great Titchfield Street, London W1P 7AA

VAT plan would hit food industry and the poorest

From Mr Michael Mackenzie.

Sir, So Lex (February 3) believes that imposing standard-rate VAT on all food will have little adverse effect on consumers, employment or the food industry. This conclusion verges on the glib, in assuming that the British economy and the food industry have infinite capacity to absorb inflationary pressures.

During a period of recession the UK food industry could not confront such an economic shock with equanimity. To absorb price increases it would have to cut back further on investment and pare overheads and operating costs even closer to the bone. Lex has also ignored the 18 per cent increase in key raw material prices imposed on food and drink processors by the devaluation of the green pound since last September. This com-

pounds the problem of remaining competitive with overseas suppliers and any additional price pressures could well sell the food industry.

Imposing standard-rate VAT on food will hit the poorest sections of society hardest. How can those who already buy the lowest-priced food trade down even further, as Lex suggests? The article recognises the "knock-on" effects of reduced consumer expenditure in other sectors but fails to specify that this means deeper recession still and yet more unemployment. These consequences have to be confronted squarely. Food is essential to life and no food should be taxed, on principle. Michael Mackenzie, director-general, Food and Drink Federation, 6 Catherine Street, London WC2B 3JJ

Heseltine: an accountant bites back, and foul called

From Ms Christine A Caton.

Sir, Mr Heseltine was reported as saying that the UK has got the balance wrong in "Heseltine's lament over supply of accountants", February 6. He inferred that accountants and lawyers are too many in number and not crucial in financial strategy. In response to Heseltine (part qualified) a representative from the Institute of Chartered Accountants apparently spoke wearily and guardedly and the FT remarked in passing that the institute reports to the DTI on regulatory matters!

As a chartered accountant in practice, weary and worn with regulation and compliance, sick of the recession, the grumbling and the resistance of clients to professional fees, I am not surprised that the standing of a chartered accountant has become denigrated. May I suggest some reasons for this unsatisfactory situation.

(a) Some 30-40 per cent of my practice time is spent on compliance, regulation and form filling exercises for the government. I cannot therefore develop my expertise to the full or maximise my contribution and experience to the businesses of my clients. (b) I cannot offer a full and embracing professional service to client companies because I have to demonstrate to the Joint Monitoring Unit that as

audit compliance partner I have carried out an audit, as wide in scope for a large public company, for small proprietary companies. The scope of the work has become greater with additional man hours. (c) I can only employ the levels and calibre of staff, as dictated by my professional body, and the costs of practice administration and training have increased significantly.

I have two sons aged 17 and 21 and I am thinking very seriously as to whether their futures would be better without professional qualification. Mr Heseltine's comments and the rather spineless reaction from the Institute of Chartered Accountants certainly add substance to this view. Christine A Caton, director, Caton & Partners, Essex House, George Lane, South Woodford, London E18

From Mr Richard Beville. Sir, I note that Mr Heseltine's criticisms of accountants have been met with personal comments about his examination record. Is it any wonder, then, that the act of deliberately playing the man, instead of the ball, is termed a "professional foul"? Richard Beville, 63 Shelley House, Churchill Gardens, London SW1V 3JE

Credit not where credit's due

From Mr Stuart Constable.

Sir, Sir Teddy Taylor, in quoting that "strange singer" Bob Marley at the Young Conservatives conference, was in fact misquoting the credit for the line he chose ("Yobs' blow loud Euro-raspberry at Major", February 8).

"Stand up for your rights" in this context comes from the song "Get Up, Stand Up", written by Marley's friend Peter

Tosh who was murdered in Jamaica in 1977.

I would draw Sir Teddy's attention to the very fine solo works of Mr Tosh, which for many articulated the messages of Rastafarianism and anti-racism more potently and coherently even than Marley himself. Stuart Constable, 78 Deangarden Rise, High Wycombe, Bucks

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Wednesday February 10 1993

Trade on a cliff edge

RARELY, if ever, can the principal trade negotiator of the European Community have visited Washington at a more delicate time. For where the Bush administration was at least shame-faced about its unilateralism in trade policy, the Clinton administration appears bare-faced. Sir Leon Brittan - like Mr Michio Watanabe, the Japanese foreign minister, who will be in Washington at the same time - needs to remind the US administration of the serious risks to the world economy of a worldwide acceptance of what US policy-makers have been arguing for so many decades. Yet the US seems no longer to be particularly interested. On the fundamental question of whether and how to complete the Uruguay Round - hardly an unexpected one, after all - it vouchsafes no clear answer.

The trading policies pursued by the US in the postwar era did not subordinate US economic interests to those of other countries. On the contrary, the postwar economic recovery of Europe and Japan greatly expanded the opportunities facing US producers, just as it did the opportunities enjoyed by US consumers. This Mr Kantor seems to ignore. What he seems to mean by "our economic interests" are the interests of particular US industries. The one he has already been followed by the automobile industry, with a long list of others right behind it.

What is needed, they all argue, is a "level playing field". Moreover, the US has, they also assume, the right both to survey and then bulldoze its partners' terrain. The possibility that the US playing field might not be level either seems not to occur. Yet US anti-dumping policy, US tariff peaks and US-imposed voluntary export restraints are just a few of the ways that it too distorts trade.

Export volumes

The administration should consider a few facts. Despite obstacles abroad, the volume of US exports expanded by 74 per cent between 1985 and the first quarter of 1992, while German exports rose by 28 per cent and those of Japan by less than 20 per cent.

Moreover, trade policy has been liberalising worldwide. The trade policies of the EC, for example, are highly imperfect. Yet the net effect of the single market programme - not least in the con-

tested area of public procurement - has been to increase opportunities for foreign companies, for US ones not least. The EC has not been alone. Japan's trade policies have moved steadily in a liberalising direction, while 63 countries have notified the Gatt of unilateral trade liberalisation since the start of the Uruguay Round.

Not since the early years of this century can US producers have faced a more open world market. Nor can the serious risks to the world economy of a worldwide acceptance of what US policy-makers have been arguing for so many decades. Yet the US seems no longer to be particularly interested. On the fundamental question of whether and how to complete the Uruguay Round - hardly an unexpected one, after all - it vouchsafes no clear answer.

Dangers of conflict

The administration may believe that no great harm need be done by the worsening of trade relations. If so, it is likely to be proved wrong. One of the main reasons that the EC felt obliged to settle the oilseeds dispute, despite French resistance, was the fact that it had been taken to the Gatt twice, and lost. More broadly, trade conflict is bound to make global economic co-operation more difficult, while failure to complete the Uruguay round would impair fragile global confidence and worsen already weakening US export prospects. Moreover, the administration should not assume there will be no retaliation. President Mitterrand has already said that the EC must respond to protectionist measures with "protectionism and a half".

Sir Leon must try to lift the discussion above the particular disputes between the US and EC, even above the immediate fate of the Uruguay Round. He needs to remind Mr Kantor what is at stake. He should show himself accommodating where the US has a case, but firm where it does not. Above all, he should stress that unilateralism will not remain the prerogative of the US alone.

Ultimately, Sir Leon's interlocutor is Mr Clinton. The president needs to be asked how far he is prepared to risk what his predecessors achieved over half a century. The world waits for his answer.

Rethinking British defence

MR MALCOLM Rifkind, the British defence secretary, sought to pre-empt yesterday's report from the House of Commons select committee by rescinding some planned cuts in the country's armed forces - at a cost of "only" \$80m or one-third of 1 per cent of the defence budget. On Monday Mr Michael Portillo, the chief secretary to the Treasury, announced a sweeping review of public expenditure in general, but appeared to exempt defence as a principal target. Yesterday the select committee duly reported, seeking even more concessions than Mr Rifkind had already offered.

It may be conceded from these events that Britain is still far from a political consensus about the scale of its defence spending in a post-imperial world. The question that has haunted the debate for decades continues to hover. Is there a case for economically battered Britain to outstep its richer European neighbours, devoting 4 per cent of its economy to defence, compared with 3.4 per cent for France and only 2.2 per cent for Germany?

There are many signs that old lessons have not been learnt. In 1990 the statement Options for Change by the then defence secretary, Mr Tom King, suggested substantial reductions in force levels as a result of the end of the cold war, though even then the cuts in costs did not match the proposed cuts in manpower. With these cuts still not fully implemented, there is already talk of overstretch, which is merely the current term for describing the old problem of too few resources to match too many commitments. The select committee calls the overstretch "chronic" and wants all planned cuts in ground forces to be stopped.

Top tables

The motives behind such thinking too often stem from a nostalgia for a country that was more powerful and relatively richer than it is today. More insidiously, attempts to keep up with defence spending spring from a desire to impress the Americans and to maintain a place at top tables. Almost invariably, however, the dilemma returns: Britain tries to do too much and, in the context of the latest public spending crisis,

has to cut back. Mr Douglas Hurd, the foreign secretary, has done something to develop the context for an alternative view. In a recent speech at Chatham House, he noted the trend towards international military intervention, whether of the peacekeeping or peacekeeping variety, and envisaged for Britain a worthy rather than a leading role. His theme was that Britain cannot do everything towards which it feels morally or politically impelled.

Burden-sharing

Mr Hurd's analysis, however, stopped short of suggesting solutions. If Britain is to do less, who is to do more? In Europe, Germany? In Asia, Japan? If there is to be more burden-sharing, by what process is that burden to be shared: by ad hoc contributions of the kind which financed the war against Saddam Hussein, or via the United Nations, which is already bedevilled by the failure of some members to pay their dues?

Nor is this a complete list of the awkward questions which lie ahead. If Britain is to cede more international defence activity to others, how long can it maintain its position as a permanent member of the UN Security Council? If it is seriously to consider relinquishing that seat, what price could it or should it seek in return? And within the European Community, how can a potential British desire for more burden-sharing be made to fit with its anxiety about more integrated EC defence structures?

As the world seeks answers to these complex questions, Britain has much to offer. Its armed forces have a deserved reputation for professionalism. Its relationship with the sole superpower, the US, is special. Britain can do much to help modernise Nato, develop the Western European Union and cement bilateral links with France. It can also play a worthy part in international peacekeeping.

But it cannot evade larger questions about the resources of its own economy or shifts in relative global economic and political standing. Mr Rifkind's concessions will comfort those who prefer old glories to harsher truths.

The figures are daunting. In the coming financial year, the British government will have to borrow about £1,000 for every man, woman and child in the country, tapping financial markets for funds at a rate of £1bn a week. The outlook, if the City of London is to be believed, is even more alarming. In five years, the pessimists say, the government could be borrowing more than 10 per cent of UK gross domestic product a year to plug holes in the public accounts, while the nation's debt to GDP ratio could be 70 per cent and rising.

The dire state of Britain's public finances is all the more apparent when measured against the recent past. Three years ago, the public sector ran a large surplus, enabling the government to reduce the national debt. Today, the talk is of cruel choices between tax increases or welfare cuts and of a fiscal rake's progress into a structural budget crisis of Italian proportions.

Although prospects for recovery are likely to be upmost in Mr Norman Lamont's mind as the chancellor prepares his March 16 Budget, the government's announcement this week of an exhaustive review of public spending priorities over the rest of this decade is symptomatic of deep concern about the nation's finances.

The official line is that the present problem is cyclical, reflecting the fall in tax revenues arising from the recession and rising costs, such as unemployment pay and other social security outlays such as income support. But senior commentators such as the Organisation for Economic Co-operation and Development in Paris and the Institute for Fiscal Studies, as well as City securities houses, including Goldman Sachs and UBS Phillips & Drew, argue that part of the deficit is now structural. It will not be self-correcting if and when the economy returns to normal growth.

Whatever the diagnosis, the chancellor cannot ignore a sudden shift from a £14.7bn public sector surplus in 1989-90 to a deficit of £25.7bn in the first nine months of the present financial year alone. The shortfalls in prospect threaten to make a mockery of the government's election manifesto promises such as making further cuts in personal tax rates. Financing the deficits could put a question mark over recovery from recession.

But how has Britain got into this mess - if indeed it is a mess? And what does the decline into deficit of the past five years tell us about the outlook for public spending, taxation and correcting the deficit? There would be no deficit problem without the recession. But the recession cannot fully explain the deterioration. Social change, tax reform, political mistakes and electoral politics over the past 14 years have left their mark on tax revenues and public spending, and helped create Britain's deficits.

Last November's Autumn Statement gave an important clue as to how the recession affects government finances. It revised upwards the public sector borrowing requirement forecast for the 1992-93 financial year from £27bn to the £28bn predicted at the time of the 1992 Budget. The 92bn worsening in the deficit was primarily due to a \$6.7bn drop in anticipated tax receipts while spending this year was estimated to be £2.3bn higher than previously forecast.

The sensitivity of tax revenues to economic slowdown is not a new phenomenon. Indeed, a drop in the tax burden in recession is an important aspect of the "automatic stabiliser" mechanism in a modern mixed economy, which helps smooth the business cycle and averts growth.

But the tax reforms of the 1980s - and in particular the corporation tax changes initiated in the then Mr Nigel Lawson's Budget of 1984 - appear to have increased the responsiveness of revenues to changes in the cycle.

The government benefited from this in the period of strong growth in the 1980s, when the increase in corporate receipts contributed about one-third to the swing in pub-

The dire state of the UK's public finances is forcing the government to consider radical remedies, writes Peter Norman

Descent from riches to rags

lic finances from deficit to surplus between 1984-85 and 1989-90. Revenues from corporation tax receipts grew at an average rate of 25 per cent a year in the five years after 1984-85 and were worth more than 4 per cent of GDP, or £21.5bn, at their peak in 1989-90.

But the recession has produced an equally sharp contraction in corporation tax revenues. They fell to £18.25bn in 1991-92 and so far in this financial year have declined by 18.3 per cent to £19.7bn from £21.2bn in the same 1991-92 period.

The worry for the future is that corporation tax revenues may not rebound once the recession is over. Their buoyancy in the 1980s partly reflected special circumstances, not least the unusual length of the upswing. Mr Lamont has since cut corporation tax rates below the levels bequeathed by Mr Lawson while companies have a large recession-generated overhang of losses to set against tax.

The government's in-depth probe of the annual £260bn of public spending is a clear admission that something has gone badly wrong on that side of the budget. The departments selected by Mr Michael Portillo, the chief secretary to the Treasury, for initial scrutiny - social security, health, education and the Home Office - show where the government suspects structural problems are rife.

When Mrs Margaret Thatcher took office in 1979, she was determined to reduce the role of the state in society and cut public spending. In the mid-1980s, the government's public spending objective was modified to "take a declining share of the national income over time while value for money is constantly improved".

Y et Treasury estimates suggest that general government expenditure (that is, spending by central government and local authorities) less privatisation proceeds in the current financial year ending on March 31 will amount to 44.75 per cent of GDP - more than the 44 per cent share of 1979-80.

The recession and the rise in unemployment to nearly 3m from 1.8m in April 1990 partly explain this disappointing trend. According to the latest estimates, each 100,000 rise in unemployment adds about £245m to the annual social security budget, with £45m going on unemployment benefit and £200m on housing support, housing benefit and community charge benefit.

The fact that this recession has hit the middle classes in the formerly affluent areas of the south-east has added to the government's costs. At the last count, some 411,000 income support recipients were receiving help with mortgage interest payments at an annual cost of £940m. But spending on social security will be 65 per cent more in real terms in 1992-93 than in 1979-80 and only 25 percentage points of this increase can be explained by the current recession.

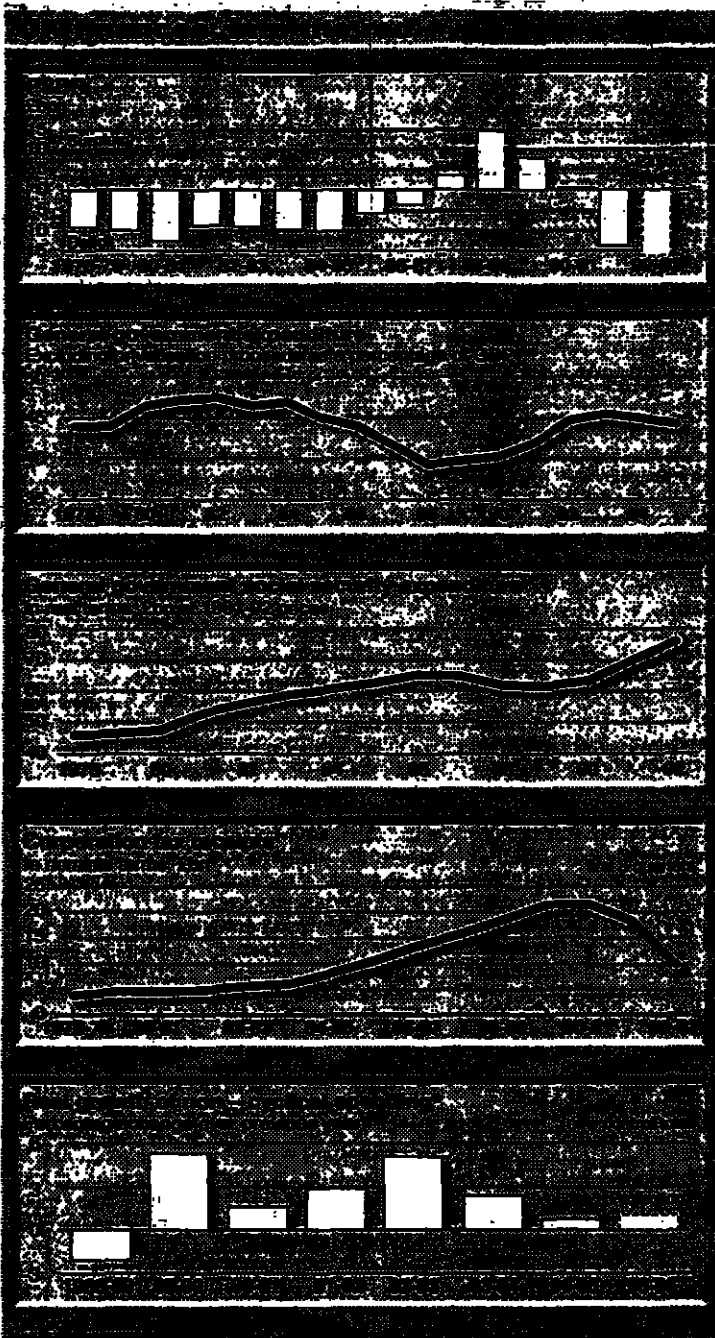
Between 1979-80 and the current financial year, social security payments have increased as a share of GDP to 13.2 per cent from 10 per cent. Social security expenditure has nearly doubled in nominal terms since 1984-85, when it was £40bn, to an estimated £79.2bn in the current financial year.

Government figures show that, in real terms, the level of social security spending was higher at the end of the 1980s than after the 1979-81 recession in spite of nine years of growth. The increase in outlays in the current recession has been far sharper than in previous ones.

These trends reflect changes in society as well as rising unemployment. The number of people over the age of 75 has risen by 52 per cent since 1981; there are more single parents; more of the social security budget has to be spent on the long-term sick and disabled. There is no quick fix to resolving cost increases of this sort.

Other changes in public spending have reflected deliberate political choices in response to the perceived needs of society or the wishes of the electorate. Annual spending on housing fell in real terms by 82.4 per cent between 1979-80 and 1992-93. In the same period, the public sector's annual expenditure on roads, industry and energy fell a real 37.5 per cent as a result of privatisation and the elimination of subsidies for ailing industries.

On the other hand, the government's annual National Health Service budget has risen by 56 per cent in real terms since 1979-80 and is expected to account for 5.8 per cent of GDP in 1992-93, against 4.6 per cent in 1984-85. Law and order, transport and education have all



required more funding, with annual outlays rising in real terms by 96 per cent, 28 per cent and 26 per cent compared with 1979-80.

But the UK would be better able to afford such burdens if the past 10 years had not been punctuated by expensive political banana-skills and the prime minister and Mr Lamont had not greatly relaxed their grip over expenditure and taxation ahead of the 1992 general election.

Of the political mishaps, the poll tax debacle was the most damaging and costly. The scale of the damage is clear in government figures for the "new control total", a new spending measure introduced last summer that eliminates most cyclical spending. This jumped in real terms by 5.3 per cent in 1989-90. More than half of this increase (2.45 per cent) reflected a sharp jump in local authority self-financed expenditure as councils rushed to push up spending by a real 35.4 per cent to £15.6bn ahead of the introduction of the new tax. They acted in the knowledge that they could blame any consequences for taxation on central government: a gamble that paid off in 1991, when Mr Lamont increased value added tax to 17.5 per cent from 15 per cent to pay for a reduction in individual poll tax

payments. Government spending on services such as health, education and the police has also risen substantially in response to changed priorities since Mr John Major became prime minister in November 1990.

Overall spending on services grew in real terms by 4.16 per cent between 1990-91 and 1991-92, while growth between 1991-92 and 1992-93 has been budgeted at a real 5.97 per cent. Sharp increases in the control total have been budgeted for the current financial year, reflecting the increased spending on services announced before the election.

The OECD, in its latest survey of the UK economy, estimates that roughly 30 per cent of the deterioration in the budget balance since 1990 has been due to structural rather than cyclical factors. It calculates that the cyclically adjusted budget deficit increased by about 1.5 per cent of GDP between 1990 and 1992, because of higher spending and reduced revenues. Much of this addition to the structural budget deficit reflected changes announced in the pre-election Autumn Statement of 1991 and Budgets of 1991 and March last year. But what of the future? Here the pundits differ. The OECD thinks the government should increase tax revenues by up to £10bn to steady the deficit. Goldman Sachs and the IPS see a need to close the annual gap between revenue and expenditure over the medium term by about £20bn.

Looking ahead, Mr Gwyn Davies, chief UK economist at Goldman Sachs and one of the seven-man panel of forecasters appointed to advise Mr Lamont, says that the public sector borrowing requirement in 1993-94 is likely to be about £54bn or 8.75 per cent of GDP. On a central, and possibly optimistic, assumption of 3 per cent growth from 1993-94 onwards, he says that the deficit is likely to stay at more than £50bn a year until 1997-98.

Mr Bill Martin, chief economist of UBS Phillips & Drew, has simulated Treasury growth, expenditure and revenue projections to conclude that the PSBR could still be 2.75 per cent of GDP in the 1997-98 financial year, lifting Britain's stock of debt to some 50 per cent of annual national output compared with about a third at present.

He warns that a more pessimistic scenario, which assumes lower growth and rising public spending in line with electoral demands, would produce a deficit of about £60bn in 1997-98. This would be equivalent to 10.35 per cent of GDP and result in a public debt to GDP ratio of 70 per cent that would still be rising at that stage.

However, some experts, such as Mr Chris Trinder, research director of the Public Finance Foundation in London, warn against panic reactions to such deficit forecasts. The PSBR is the difference between two big numbers, and forecasts have been notoriously wrong in the past, Mr Trinder points out. Mr Andrew Britton, director of the National Institute of Economic and Social Research, and another of Mr Lamont's seven advisers, is also fairly sanguine. He says that some of the discretionary loosening of policy in recent years has been good for the economy, while the Maastricht treaty provides for deficits of up to 3 per cent of GDP.

Until recently it seemed that the Treasury might be coming to terms with the deficits. In evidence to the House of Commons Treasury and Civil Service Committee last autumn, Mr Lamont cast some doubt on the Treasury's stated goal of balancing the budget over the economic cycle. While asserting that this was still the government's objective, he added: "That has never ever meant taking the sum of the borrowing over the years and saying that it should sum to zero."

However, Mr Portillo's investigation of public expenditure points the other way. It is a reaffirmation of the government's determination to reduce public spending as a share of national income and leave wealth creation to the private sector.

Anticipating marriage

■ The honeymoon threatens to be over before the wedding for London's young Securities Institute and the Institute of Investment Management and Research which, in essence, is 36 years older.

Merger talks are due to culminate this month in plans by a joint working party. But there were reputedly ructions at IIMR's council meeting this week because members were "hoping mad" over the year-old SI's campaign to recruit members.

Seeking to add 500 to its present 5,000, who are mainly former Stock Exchange members, the Securities Institute has been beating the drum about a "window of opportunity" because, until March 31, experienced securities industry practitioners can become members without passing exams contributed by that set as skin to pre-marital infidelity by some at the more elitist IIMR, which, with 3,000 members, has itself been exam-entry since 1979. "They're promoting the merger as a saleable event before it has been agreed," says one. "It's a bit naughty."

Corrective

■ Plans to privatise some of Britain's best-known prisons have led to all sorts of strange names

coming out of the woodwork. Take UK Detention Services - a joint venture between John Howard, Sir Robert McAlpin and the sinisterly named Corrections Corporation of America.

Surely they could have followed the pattern established by other privatisations such as British Airways, Gas, Telecom, and Aerospace, and called the company British Porridge plc.

Party time

■ Monday's Conservative Winter Ball at the Grosvenor House, the party's main fund-raising event of the year, left several well-known politicians looking rather the worse for wear. But given that the party is in lock to the tune of £15m, it was a case of all hands on deck to rouse the party faithful.

Hence, it was rather surprising to learn that Lord Archer was no longer doing the raffle. His role as court jester has been taken by Gyles Brandreth, former game show host and Tory MP for Chester.

Cuccia's revenge?

■ Perhaps today's board meeting of La Fondiaria, Italy's second biggest insurer, will give a clue as to how one of the country's more complex financial puzzles is to be solved. La Fondiaria has changed owners four times over the past decade

OBSERVER



and the recent death of its president, Camillo De Benedetti, publicity-hungry cousin of Carlo Olivetti fame, suggest that it is likely to change hands yet again.

It has the makings of a typical Italian corporate drama. Just over three years ago Camillo bought into Fondiaria at the behest of Rauli Gardini, then the boss of Ferruzzi, upsetting Enrico Cuccia, Mediobanca's legendary deal-maker. Apparently, Cuccia had long wanted to merge Fondiaria with Generali, Italy's biggest insurer, to create a new European giant. Fondiaria has expanded aggressively under Camillo, notably in Germany, but its ambitions have

been severely clipped by the financial constraints of some of its shareholders, particularly Ferruzzi. Most punters are now betting on Fondiaria being broken up, under a Cuccia-devised plan to strengthen Generali and lower Ferruzzi's borrowings. Fondiaria's main operations would be sold to Generali, while its two smaller subsidiaries would go to San Paolo, the big Turin-based bank, and a foreign insurer, respectively.

However, past experience suggests that solving Italian financial riddles is never as simple as it seems at first sight.

Coquettish

■ One outfit that has certainly never been renowned for its readiness to hitch up its skirts at the drop of a share-dealer's hat is the German steel and engineering group, Thyssen. So what are we to make of the company's advertisement in yesterday's Financial Times, inviting "her shareholders" to next month's annual meeting?

One possible explanation lies in Anglo-German linguistic (mis)understanding. Perhaps Thyssen's copywriters, with or without the aid of the FT's ad department, simply translated into English the feminine characteristics of the German word "Aktionärsversammlung". Then again, of course, the Iron Lady of the Ruhr could have

something really sexy in mind for March 19 in Düsseldorf.

Porter calling

■ Out goes Christopher Chataway as LBC chairman and in comes Dame Shirley Porter. But the real power behind the throne of London's talk radio station is Lady Porter's son John, who put together the rescue package.

Although he is part of the Tesco supermarket family, Porter junior is very much his own man. After Oxford, and a stint with the Boston Consulting Group, he struck lucky in Californian real estate, which helped finance investments in a string of ventures ranging from credit card verification systems to a California winery.

He shares his mother's love of Conservative politics. Indeed, now his controversial mama seems set to bow out of that arena, it's not beyond possibility that he'll take over as family political torch-bearer.

Boot in

■ Keen to impress a much-landed Swiss businessman proudly walked a visiting Texan customer around his wide acres. "Fine trek," the Texan commented afterwards. "When I look over my spread back home, I'd know, I go in my car. It takes me a whole day to cross it." "I had a car like that once, too," the Swiss said.

John, in the

Guinness Flight Fund Managers Limited, a member of IMRO.

July, 1915

INTERNATIONAL COMPANIES AND FINANCE

Ericsson lifted by strong final term

By Christopher Brown-Humes
in Stockholm

SHARES in Ericsson, the Swedish telecommunications group, rose 9 per cent yesterday as it benefited from a better-than-expected 1992 result, a bright forecast for 1993 and news of a healthy order intake.

The group's profit for the year fell to SKr1.3bn (\$180m) from SKr1.5bn in 1991, but this disguised an exceptionally strong fourth-quarter during which profits rose to SKr1.18bn from SKr97m.

Ericsson also disclosed a 19 per cent increase in orders to SKr55.4bn from SKr44.7bn and was distinctly upbeat about prospects.

"As a result of our undiminished strong investments for the future, a considerable improvement in earnings is expected in 1993," said Mr Lars Ramqvist, Ericsson

president and chief executive. Ericsson held its 1992 dividend at SKr3.50 a share, as earnings per share dipped to SKr3.18 from SKr3.69. Sales for 1992 rose 3 per cent to SKr47.0bn.

Many analysts believe the fourth-quarter results mark the beginning of a strong recovery. "These figures are very impressive and they are clear evidence that Ericsson has turned the corner," said Mr Andrew Haskins, European electronics analyst at James Capel in London.

The driving force behind the group's performance has been its strong order growth, as bookings have risen for five consecutive quarters.

The strongest performer has been mobile telephone systems, where order bookings rose 56 per cent last year. Confirming the trend, the group yesterday announced a \$200m (US\$135.1m) contract from

Arena GSM to supply telecommunications equipment for Australia's third cellular telephone network.

The company indicated that it was well placed to win new orders from China with a possible value of up to SKr7.4bn.

The recovery in 1993 will be enhanced by recent cost-cutting measures and, in the latter part of the year, by the devaluation of the Swedish krona.

The group said yesterday that the weaker Swedish currency had had only a marginal effect on its 1992 result.

Ericsson believes it is reaping the benefits of continued investment in new technology, in spite of the international recession. "Products that did not exist even one or two years ago account for slightly more than one third of total order bookings," it stated.

The group's shares closed up SKr18 at SKr209 in excep-

tionally heavy volume of 341m shares.

● Procordia, the Swedish food and pharmaceuticals group, said yesterday it had signed a preliminary agreement to sell its Finnish daughter company Wallace to EG&G, the US technology group.

Procordia said the disposal reflected its decision to concentrate on health care and branded consumer goods.

Wallace, which is based in Turku in Finland, manufactures and markets analytical and immunodiagnostic systems. It has 500 employees and annual sales of about \$50m.

Wallac's analytical instrument operations are deemed to fit well with EG&G's instrument business, while the Finnish company's diagnostic activities offer the US group a new business area. Terms of the deal were not disclosed. See World Stock Markets

Johnson Matthey stake sold for £342m

By Kenneth Gooding,
Mining Correspondent

CHARTER Consolidated, the UK industrial group, yesterday achieved its long-held ambition to dispose of its 35.3 per cent shareholding in Johnson Matthey, the world's biggest platinum marketing group.

Charter will collect about £342m (\$516m) from the sale. A large part of the Charter holding, representing 20 per cent of JM, is to be bought for £187.8m or 490p for each JM share by a new company

jointly set up by Minorco, the Luxembourg investment company, and Johannesburg Consolidated Investment Corporation, the mining group.

All four are perceived to be part of an international "family" of companies influenced or controlled by the Anglo American Corporation of South Africa.

The rest of the JM shares were placed with a wide range of institutions in London yesterday for £154.6m, or 456p a share, by Barclays de Zoete Wedd and UBS Phillips & Drew. After the announcement JM shares fell by 19p to close at 473p and Charter's ended 28p down at 656p.

Analysts suggested there was some disappointment that Charter's disposal had not sparked a bid for JM and that the platinum marketing company once again would be virtually bid-proof.

It was widely expected that Charter would use most of the cash raised to buy Minorco's 35.7 per cent stake in Charter and disentangle itself completely from the Anglo web.

Minorco is paying £90.6m cash to Charter on completion but JCI will pay in two equal tranches of £48.6m, the first on completion and the second in three years, unless JCI takes up an option to repay earlier.

In the negotiations Hambros advised Charter; S. G. Warburg advised Minorco; Standard Merchant advised JCI; and Baring Brothers advised JM.

See Page 14; Background, Page 21

Total sees 52% drop in earnings as margins fall

By William Dawkins in Paris

TOTAL, the smaller of France's two oil groups, yesterday estimated a 52 per cent fall in annual net profits.

The drop is mainly due to a sharp decline in refining margins, reflecting the impact of recession on the demand for refined products.

The profits fell to FF2.8bn (\$512m) from FF5.3bn in 1991 in line with Total's warnings at the end of 1992 that net earnings would fall by more than the 47 per cent drop recorded in the first six months.

This contrasts with a 35 per cent profit decline at Elf Aquitaine, Total's larger French rival, reflecting Elf's lower exposure to refining.

Refining margins, of \$4.1 per barrel, were exceptionally high in 1991 because of the demand unleashed by the Gulf war, but nearly halved to \$2.1 per barrel last year, reflecting "world wide economic stagnation", said Total.

As a result of the difficult economic situation, Total has taken a FF500m non-recurring charge in last year's accounts.

Group operating profits fell by 30 per cent to FF7.3bn from FF10.3bn over the period, within which refining and marketing profits were more than halved to FF2bn from FF4.9bn.

Total's refineries in the US recovered from difficult markets in 1991 to break even last year.

Exploration and production profits were unchanged at FF2.9bn, while trading profits fell to FF900m from FF1bn.

The chemicals division produced a rise in operating profits to FF1.7bn from FF1.5bn, helped by an improvement in the profitability of the recently reorganised inks and resins companies.

Total's worldwide reserves rose over the period to 531m tonnes of oil equivalent from 513m tonnes.

This figure does not include Total's interest in the new Cusiana oil field in Colombia, the discovery of which was announced last year.

Cash flow fell slightly to FF10.1bn from FF13.7bn in 1991 while capital spending was unchanged at about FF15bn.

By the end of the year, debts stood at 35 per cent of shareholders' funds.

● Elf Sanofi, the pharmaceuticals arm of Elf Aquitaine, the French state-owned oil group, yesterday said it expected net profits of more than FF1bn in 1992, up from FF950m in the previous year.

The group, which last month announced a merger with Yves Saint-Laurent, one of the best known names in French fashion, attributed the improvement to the benefits of its alliance with Sterling Winthrop, the US pharmaceuticals company.

Elf Sanofi's turnover rose by 9.4 per cent to FF21.4bn last year, within which the strongest growth came from human healthcare, up by 16.3 per cent to FF12.2bn.

Restated for acquisitions, the underlying group sales rise was 3.9 per cent.

Pharmaceuticals sales were stable in France, but rose sharply elsewhere in Europe. Perfumes and beauty products saw a 6 per cent rise in turnover to FF11.9bn, helped by a significant sales increase in North America.

UK politician to head London radio station

By Raymond Snoddy
in London

DAME Shirley Porter, the UK Conservative politician, will today be appointed chairman of LBC, the London commercial radio station now effectively controlled by Porter family interests.

Mr Christopher Chataway, the LBC chairman who is also chairman of Crown Communications, the broadcasting company now in receivership, has decided to step down as chairman.

He will stay on as a non-executive director and support LBC's bid to regain its franchise.

A key element in Mr Chataway's continued support for the new regime at LBC was the renewal of the contract of Mr David Haynes, the chief executive.

Mr Haynes and Mr Chataway were keen supporters of the move into France and the purchase of a stake in RFM, the radio network, which turned into a disaster for the group. Crown was forced into receivership when the CSA, the French broadcasting authority, blocked the sale of the network

to a consortium that included NRJ, a rival commercial network.

Meanwhile Mr Patrick Meyer, the founder of RFM, who sold out to Crown and now lives in the US has decided to make a bid for his old radio network.

Mr Meyer, speaking from Arizona said he has the support of a big financial institution and a famous French artist. He also plans to make stock available to the staff of the network, which has 114 stations. RFM is now in receivership but is still trading and playing pop music.

Mr Meyer says he will soon be presenting his case to the CSA, RFM staff and the receiver when one is officially appointed. "It is a good station if you get the right format and don't change it all the time," Mr Meyer added.

The NRJ consortium and a group led by TF1, the French first television channel are also interested in the network.

Mr Chataway, it is believed, has told Mr Porter he will not have the time to chair LBC during the station's franchise renewal period, which begins next month.

David Dworkin quits Storehouse for US

By Neil Buckley in London

MR David Dworkin, chief executive of Storehouse, is leaving the UK retailing group in a surprise move to become chief executive of Carter Hawley Hale Stores, one of the largest fashion retailers in the US.

Storehouse, which includes the BHS and Mothercare chains, was expected to make an announcement today about the future of Mr Dworkin - widely credited with having turned the group round - after its shares fell 11p to 194p on rumours that he was about to resign.

However, Carter Hawley Hale announced last night that Mr Dworkin was to take over from Mr Philip Hawley as president and chief executive officer from April 1.

Mr Dworkin, a 49-year-old American born in Cleveland, Ohio, was recruited to head the BHS group in November 1989 from Bonwit Teller, the US department stores group. He is known to have been unhappy living in the UK.

Analysts and industry insiders said the challenge at Carter Hawley would be just the sort Mr Dworkin would relish, hav-

ing led the recovery at Storehouse. Carter Hawley was a successful retailer in the 1980s which had problems controlling its debt and emerged last October from Chapter 11 bankruptcy protection.

Pre-tax profits at Storehouse increased from £1.3m in 1990 to £15.8m last year, and are forecast to reach about £20m this year. Mr Dworkin has reduced the size of the business, selling off Habitat and Richards, and focusing the group on BHS and Mothercare.

Management reforms, a revamp of the stores' image and products, the better use of space and computers, have all contributed to a consistent increase in sales and margins at BHS over the past 15 months.

Although the City reacted badly to rumours of his departure, analysts said this would not be disastrous as he had already taken all the fundamental steps required.

CHH, which had sales of \$2.1bn for the year to end-January, has 83 fashion stores in the western US operating under four names, The Broadway, The Broadway-Southwest, Emporium and Weinstecks.

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INTERNATIONAL COMPANIES AND FINANCE

Ssangyong and Mercedes-Benz in car link-up

By Jack Burton in Seoul

SSANGYONG Motor, South Korea's fifth largest vehicle producer, yesterday said it plans to enter the passenger car market in 1993 in co-operation with Mercedes-Benz.

Ssangyong, which now manufactures commercial and four-wheel drive vehicles, will produce medium-size and luxury car models under licence from Mercedes-Benz, which acquired a 5 per cent shareholding in the Korean company last year.

Fifty thousand cars will be manufactured annually after Ssangyong invests

\$500m in production facilities. Some will be sold abroad through the Mercedes-Benz dealer network.

It is the first time that Mercedes has licensed its car technology to a foreign manufacturer for full-scale production, according to Ssangyong.

Until 1996, Mercedes has an option to increase to 10 per cent its shareholding in Ssangyong Motor, part of Korea's sixth biggest business group.

Ssangyong plans to produce the MB-100 light commercial van under licence from Mercedes from next year, with some of the vehicles being exported to Europe, where they will be

sold by the German manufacturer.

The Korean Ministry of Trade and Industry is likely to approve the deal in spite of worries that the Korean car industry may soon have an excess of producers.

Ssangyong will compete against Korea's three current passenger car producers - Hyundai, Kia and Daewoo. Samsung is also expected to enter the passenger car industry in the next few years.

Ssangyong's decision to concentrate on manufacturing medium and large-size cars is part of the trend among Korean vehicle manufacturers to

reduce dependence on smaller cars.

Daewoo Motors will begin licensed production this year of Honda's Legend, which will be its first luxury car.

Other Korean-made luxury cars include Hyundai Motor's Grandeur and Kia Motors' Potencia, both based on Japanese technology.

Mercedes-Benz and Ssangyong are to manufacture cars with engine capacities of between 1,800cc and 3,200cc from 1996.

A Ssangyong spokesman said the project would commence immediately government approval was given, probably in September.

JCI to hold payout in spite of fall in profits

By Philip Gawth in Johannesburg

JOHANNESBURG Consolidated Investment, the South African mining house, yesterday reported lower half-year profits but, thanks to solid progress by the group's industrial investments, the return was better than many analysts had feared.

Attributable earnings for the six months ended December fell by 6 per cent to R155.6m (\$49.8m) with income from investments accounting for R138.3m, against R144.7m last time. The contribution from operating subsidiaries fell to R4.6m from R16.8m.

Equity-accounted earnings fell by 7 per cent to R176.5m, or to 119 cents a share from 129 cents. However, the dividend is being maintained at 42 cents a share.

Mr Pat Retief, chairman, said trading had been very difficult with all the commodity markets weakening. Although Mr Retief felt the group had performed reasonably well, he cautioned that earnings during the current half were likely to stay under pressure. Full-year results would be "significantly lower".

Mr Retief said the 50 per cent decline in profit from platinum - the JCI group is the largest producer - had had a "major adverse impact" on results. There had also been a "substantial" decline in income from coal interests, while ferrochrome producer CMI made large losses.

The industrial interests had again contributed more to group earnings than mining. JCI's main interests are in South African Breweries, the food group Premier, newspaper interests and the Toyota motor group.

Mr Retief said the purchase of a 10 per cent stake in Johnson Matthey, the precious metals group, would not have a significant effect on JCI's balance sheet and would not dilute earnings.

Disposals bring Nestlé close to EC compliance

By Guy de Jongh in London and Ian Rodger in Zurich

NESTLÉ, the Swiss food group, has found a buyer for most of the mineral water assets which EC competition authorities required it to dispose of after it acquired Groupe Perrier of France last year.

However, the proposed FF750m (\$134m) sale - to Société d'Investissement d'Aquitaine, holding company for the French Castel beverages company - does not fulfil all the conditions which Brussels has insisted on before it approves the Perrier takeover.

The Commission requires Nestlé to sell to a single buyer mineral water springs with a total annual capacity of 3bn litres and several specified brands, including Vichy, Thonon, Pival and St Yorre. But the deal with SIA covers capacity of less than 3bn litres and excludes the Pival brand's dominance.

Nestlé said yesterday that SIA was not interested in Pival, and that it doubted whether any other buyer could be found for it. The Swiss company was putting the proposed sale to Brussels, in the hope that it would nonetheless be approved.

The Commission said that it had not yet received details of the proposed sale from Nestlé.

However, a spokesman said that Nestlé's agreement to meet the conditions specified last year amounted to a commitment.

Until Nestlé disposes of the Perrier assets to a new owner approved by Brussels, the Swiss company may not complete the sale of Volvic, another large Perrier brand, to BSN, France's largest food manufacturer.

The Swiss company is counting on the proceeds of the Volvic deal to cover part of the FF13.4bn it paid to acquire Perrier after a hard-fought takeover battle in which it was supported by Mr Antoine Riboud, BSN chairman.

Nestlé had apparently hoped that the Volvic sale would defuse objections from EC competition authorities. However, Brussels judged that Nestlé and BSN would together enjoy a duopoly of the French mineral water market and ordered disposal of some of Perrier's assets to reduce the Swiss company's dominance.

The assets which SIA has agreed to buy had sales of more than FF820m in 1991. The Castel group has annual revenues of FF75.6bn.

As part of its agreement with SIA, Nestlé will buy out minority shareholders in Compagnie Fermière de Vichy, developer of a spa and hotel project partly financed by income from Vichy mineral water sales.

South African steel group cuts dividend

By Philip Gawth

HIGHVELD Steel and Vanadium, the South African steel producer which is part of the Anglo American group, reported steeply lower profits for 1992 and is to cut its dividend.

Mr Leslie Boyd, chairman, said demand for all products had deteriorated. He did not make a specific profit forecast for 1993 but said he expected the bottom of the cycle would be reached during the current year.

Although 1992 turnover rose by 8 per cent to R1.49bn (\$477m), pre-tax income declined by 32 per cent to R74.4m.

A sharp fall in the tax bill to R3.6m, from R18.6m, limited the decline in attributable income to R70.8m from R95.6m. An increase in the number of

shares in issue, however, saw earnings per share fall to 80.1 cents from 130 cents.

The overall dividend was cut to 45 cents from 70 cents per share.

On the steel side, Mr Boyd said the group had faced poor export conditions owing to oversupply, while a weak local economy and destocking by merchants had caused a significant decline in local sales.

Vanadium consumption - Highveld is the world's largest producer - remained weak, and Mr Boyd noted that the Vantra division operated at only 25 per cent of capacity.

Mr Boyd said the R3.5bn Columbus stainless steel project, in which Highveld is a one-third partner, offered "significant" future benefits for Highveld's profits. When completed, it will be the world's sixth-largest producer of stainless steel.

EVN wins new Austrian power deal

By Ian Rodger

ENERGIE-Versorgung Niederösterreich, one of Austria's largest utilities, has been authorised by the government of Lower Austria to take on electricity distribution in the part of the province surrounding Vienna.

Acquisition of this territory would boost EVN's annual revenues by about 25 per cent to Sch12.5bn (\$1.07bn) and significantly reduce its unit distribution costs.

The city of Vienna, which operates Wiener Stadtwerke, a utility which now supplies the area, said it would appeal against the decision, a process which could take up to two years.

EVN has long sought to serve the territory, which is the most densely populated part of Lower Austria. It claims it could provide services at lower cost than Wiener Stadtwerke. "We know that the city of Vienna uses electricity tariffs to subsidise other things," EVN said recently.

Mr Rudolf Gruber, chairman, said he would now invite Wiener Stadtwerke to begin negotiations on the transfer. "I think the decision is very positive and will put us in a very good position if they appeal," Mr Gruber said.

EVN shares gained Sch14 to Sch785 on the Vienna Börse yesterday.

BNP eyes purchase of Spanish bank

By Alice Rawsthorn in Paris and Peter Bruce in Madrid

BANQUE Nationale de Paris, the largest of France's state-controlled banks, is considering plans to expand its Spanish interests by buying Banco de Fomento, a medium-sized retail bank controlled by Banco Central Hispanoamericano.

BNP yesterday confirmed that it had been in contact with BCH and had discussed the possibility of buying Banco de Fomento.

However, it stressed that it was only one of a number of companies to have indicated an interest and that it had not yet made a formal offer for the company.

The French group already has a modest presence in Spanish retail banking through the network of 73 branches it has opened since the early 1980s. BNP's Spanish activities also include interests in investment banking, property finance and leasing.

BCH, Spain's biggest bank in terms of assets, was formed by the merger of Banco Central and Banco Hispanoamericano in 1991. It wants to dispose of associated national and regional banking networks, which duplicate its own spread of branches.

The bank also needs to improve 1993 profits after reporting a 23 per cent fall on pre-tax profits for last year, although that was due in part

to new Bank of Spain accounting procedures.

Fomento, which once held the former Banco Central's vast industrial portfolio, has attracted considerable interest from other European banks - notably Deutsche Bank, whose Spanish operation is concentrated mainly in Catalonia - because it is one of the few retail banks available with a national as opposed to a regional network.

It runs 176 offices nationwide and has assets of Pta305bn (\$2.6bn). BCH owns 76 per cent of Fomento, which reported net profits of Pta1.87bn for last year after Pta2.39bn in 1991, a fall also explained by new accounting rules.

BNP, a possible candidate for future privatisation, is one of Europe's largest banks.

The bank came under pressure last year due to the competitive state of the French banking market and the Paris property crisis, with first-half net profits falling by 13.4 per cent to FF1.33bn (\$237.5m) on net banking income of FF19.48bn.

So far, BNP has adopted a more cautious attitude to international expansion than other French banks, notably Crédit Lyonnais, another large state-controlled bank. But it has recently shown signs of a more expansive strategy, such as last year's partnership agreement with Dresdner Bank of Germany.

Income falls at Fischer

By Ian Rodger

GEORG FISCHER, the Swiss foundries and engineering group, said consolidated net income in 1992 was "significantly below" the SF42m (\$27.4m) recorded in 1991, reversing a forecast of profit growth made at the interim stage. The group said its results were affected by "serious recession" in the second

half, particularly in Germany. Consolidated sales at SF2.49bn were slightly below the 1991 level, in spite of a 4 per cent positive effect from exchange rate fluctuations.

The closure of steel foundries at Schaffhausen and Worms, the sale of the steel piping business in the UK and the discontinuation of other activities reduced sales by about 2 per cent.

Investment plan approved

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance yesterday approved brokers' plans to launch a new cumulative stock investment scheme for retail investors next month.

Nomura, Daiwa, Nikko, Yamaichi Securities and three second-tier brokers will offer a scheme that allows individuals to invest a minimum ¥10,000 (\$80) in a specific stock.

Currently, stocks can only be bought in units of 100 to 1,000 shares, and most retail clients use investment trust funds. Under the new scheme, investors will pay brokers between one and three instalments a month to invest in one issue. The brokers will pool these funds to buy specific stocks, paying the dividends according to the investors' amounts of cumulative investment.

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Compagnie Générale des Etablissements Michelin
Consolidated Net Sales 1992

For the year 1992 MICHELIN Group consolidated net sales turnover was FF 66.8 billion, a reduction of 1.2% on the previous year. This reduction in turnover was entirely due to a fall in the market demand for tyres and significant adverse variations in exchange rates in second half 1992. Sales revenue in the second six months was 7.6% lower than in the corresponding period of 1991.

Compared with the average exchange rates for second half 1991 the British, Italian and Spanish currencies, together with the U.S. dollar, devalued by between 10% and 12% against the French franc.

MICHELIN sales volume in the first half-year increased by 3.5% over that for first half 1991. From Summer onwards and following the market trend, sales in European markets suffered a sharp set-back. The downward trend worsened during the last quarter, particularly affecting sales of tyres for commercial vehicles, leading MICHELIN to reduce production by the introduction of short-time working in its European factories.

The Group's strong presence in North America and its performance in the better trading conditions of the American markets was not sufficient to offset the downturn in European sales. Sales tonnage was 3.7% lower than in second half 1991.

Due to the serious deterioration in trading conditions during the second half-year, Group sales volume for the year 1992 was 0.2% lower than that for 1991.

The results of the considerable efforts made within MICHELIN since Autumn, 1990 are not reflected in the above figures. The efforts will be continued in order to counter the profound economic change which is seen as likely to occur.

Telecommunications
Forward Survey
Programme

The Financial Times proposes to publish the following Surveys:

Information & Communications Technology	23 March, 1993
Telecommunications in Business	15 June, 1993
Mobile Communications	7 September, 1993
International Telecommunications	18 October, 1993
Technology in the Office	26 October, 1993

For further information, please contact: Alicia Andrews on Tel: +44 (0) 71 873 8686 Fax: +44 (0) 71 873 3062

Daewoo Corporation
U.S. \$175,000,000
Floating Rate Notes 1995
(Coupon No. 12)

Pursuant to Note conditions, notice is hereby given that for the interest period 10th February, 1993 to 10th August, 1993 (181 days), an interest rate of 5% per cent, per annum, will apply (minimum rate condition).

Amount per coupon (No. 12) = U.S.\$2,639.58
Payable on the 10th August, 1993.



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London Branch
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Johannesburg Consolidated Investment Company, Limited

(Incorporated in the Republic of South Africa - Reg. No. 01/00429/06)

Highlights from the
Consolidated Interim Results
to 31 December 1992
(Unaudited)

	Six months to 31.12.92 Rm	Six months to 31.12.91 Rm
Profit before taxation	165.7	176.4
Attributable earnings	155.6	166.1
Equity accounted earnings	176.5	190.6
Ordinary dividends	62.1	61.9
Earnings per share		
- Attributable earnings	105 cents	113 cents
- Equity accounted earnings	119 cents	129 cents

Interim Dividend No. 134 of 42 cents per share has been declared payable to shareholders registered on 19 March 1993. Date of payment will be 19 April 1993. (Currency conversion date 29 March 1993.) Holders of share warrants to bearer should attend to the terms of a notice to be published in April 1993.

9 February 1993

The full interim report will be posted to shareholders and copies can be obtained from the London Secretaries, Barnato Brothers Limited, 99 Bishopsgate, London EC2M 3JE.

NOTICE OF REDEMPTION
U.S. \$100,000,000
Guaranteed Floating Rate Notes Due 1994
Citicorp Overseas Finance Corporation N.V.

(Successor in interest to Citicorp Overseas Finance Corporation Limited (a corporation existing under the laws of Jersey, Channel Islands))

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CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp Overseas Finance Corporation N.V. has elected to redeem on March 16, 1993 (the "Redemption Date") all of its outstanding Guaranteed Floating Rate Notes due 1994 (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue. The Notes are to be redeemed at the main offices of Citibank, N.A. in London, Brussels, Paris, Frankfurt/Main, Amsterdam, at the main office of Citibank (Luxembourg) S.A. in Luxembourg, or at the main office of Citibank (Switzerland) Ltd. in Zurich. Payments on the Notes will be made upon presentation and surrender of the Note at the offices set forth in the preceding paragraph on the Redemption Date with all interest coupons maturing subsequent to said date. Coupons due March 16, 1993 should be detached and presented for payment in the usual manner.

February 10, 1993
By: Citibank, N.A. Fiscal Agent

CITIBANK

Blackstone may acquire Univa in C\$1bn venture

By Robert Gibbons
in Montreal

BLACKSTONE, the New York-based investment group, is in talks to buy Univa, Canada's second largest food distributor, in a deal worth just over C\$1bn (US\$733m).

Univa, with annual sales of C\$6.5bn, is a wholesale and retail food distributor with subsidiaries across Canada and in California, and is second to the Toronto-based Loblaw.

In the nine months to October 31 Univa's net profits were C\$23.4m, or 34 cents a share, on sales of C\$6.1bn. The figures reflected vicious competition, particularly in eastern Canada.

Mr Bertin Nadeau, who for the past 11 years has controlled 26 per cent of Univa through a holding company, Unigesco, plans a joint venture with Blackstone to offer C\$1.1 a share cash for all Univa's 94m common shares outstanding on a fully diluted basis. This would be about 45 per cent

above the average Univa market price over the past three weeks. Thus the value of the bid is C\$1.03bn.

Univa's next biggest shareholder is the Sobey family of Halifax, Nova Scotia, with 25 per cent. The family usually votes with Mr Nadeau. The Caisse de Depot, the Quebec Pension Plan's investment arm, holds about 12 per cent including conversion rights.

If the deal goes through the joint venture is structured so that Univa would be owned 80 per cent by Blackstone and undisclosed private international investors and 20 per cent by Unigesco.

Mr Stephen Schwarzman, president of Blackstone, said his investment group would sell its Univa shares over a three to seven-year period via public offerings and Unigesco would buy back control of Univa. After seven years the joint venture would be dissolved. He said Univa management

would continue unchanged and Univa would get full financial backing for a three-year C\$230m modernisation programme in the highly competitive eastern Canada market.

Unigesco, which owns a hardware retailing group and food service units, would sell its 26 per cent of Univa into the joint venture for C\$246m, which would be used to reduce its heavy debt.

Blackstone will provide C\$375m for the bid, with the balance borrowed partly from Canadian and US banks.

Univa will set up a committee of independent directors to evaluate the bid and report to shareholders.

Analysts said the bid appears favourable in relation to Univa's market price of C\$8 a share at Tuesday night's close. The 52-week low is C\$6.50 and high C\$13. The price reflects low food distribution margins caused by discounters.

Setback for GM over assembly plant ruling

By Martin Dickson
in New York

GENERAL Motors, the US car group, yesterday suffered an unusual setback in its efforts to slash its North American production costs when a Michigan court ordered it to keep open an assembly plant scheduled for closure.

The plant involved is Willow Run, at Ypsilanti, west of Detroit. GM announced a year ago that the works would be shut in 1993 and its output consolidated at a plant in Arlington, Texas.

Yesterday, however, a Michigan circuit court judge enjoined GM from moving production of its Caprice station wagon from Ypsilanti to Arlington.

The judge supported a challenge by Ypsilanti Township, which argued GM had violated provisions of tax breaks given in the 1980s in the hope of keeping the plant open.

Mr Lee Schutzman, an attorney for the township, said the ruling was unprecedented and the company would appeal. GM has already started transferring workers from the plant to Arlington.

When the judge's ruling was announced, members of the United Auto Workers union filled the court room with cheers.

The UAW has reacted particularly bitterly to the closing of Ypsilanti and accused GM of "whip-sawing" - playing the Michigan and Texas plants off against one another in the hope of extracting maximum concessions from the union.

Mr Doug Winters, an attorney for the township, said: "GM for years has asked for a level playing field in terms of global competition, and all we ever asked for was a level playing field to present our case. Fortunately, we had a judge with enough courage to give us that."

The closure is part of GM's plan to shut 21 assembly and parts plants by the mid-1990s in an attempt to return its loss-making North American operations to profit.

Goodyear net income slips to \$88m

By Karen Zagor in New York

GOODYEAR Tire & Rubber, the only surviving US-owned tyre company, yesterday recorded underlying fourth-quarter earnings of \$402.8m, or \$1.43 a share, excluding extraordinary items and the cumulative effect of accounting changes. This compares with \$98.3m, or \$1.55, a year earlier, when the company had fewer shares outstanding.

Including one-time items, Goodyear's net income stood at \$87.5m, or \$1.22, in the fourth quarter against \$105.1m, or \$1.65, last year. Sales rose 5 per cent to \$2.93bn from \$2.78bn.

The results were in line with Goodyear's earlier fourth-quarter predictions and its shares eased 3% to \$71.4 at midday trading in New York.

During 1992, Goodyear took a one-time net charge of \$1.01bn on the adoption of two non-cash accounting changes. As a result, Goodyear posted a net loss of \$658.6m, or \$9.22 a share, in 1992 compared with net income of \$36.6m, or \$1.61.

Stripping out the charges and other one-time items, Goodyear earned \$367.3m, or \$5.14, in the year compared with \$74.5m, or \$1.24, in 1991. Sales advanced 8 per cent to \$11.78bn from \$10.91bn.

Mr Stanley Gault, chairman, said: "We are extremely pleased with our sales performance and higher operating results in a difficult global economy."

During the fourth quarter, Goodyear had gains of \$75.9m from the sale of its polyester resin assets which was partly offset by charges of \$38.6m for workforce restructuring and charges of \$15.8m for the planned sale of its roofing business and other items.

Goodyear's debt stood at \$1.9bn at the end of 1992, compared with \$2.6bn at the end of 1991 and \$3.7bn in mid-1991. As a result, the company's inter-

est expense fell to \$232.9m at the end of the year from \$217.8m a year earlier.

Selling, administrative and general expenses rose to \$8.97bn at the year end from \$8.41bn a year earlier, reflecting higher advertising spending.

Goodyear's tyre sales rose 8 per cent in the fourth quarter to \$2.4bn, but operating income dropped 39 per cent to \$125.3m, reflecting increased charges.

The company's beleaguered oil transportation segment had operating income of \$147,000 in the fourth quarter compared with a loss of \$5.4m a year earlier.

Whirlpool surprises with 55% rise

By Karen Zagor

WHIRLPOOL, the world's biggest maker of large domestic appliances, yesterday posted an unexpectedly strong 55 per cent improvement in fourth-quarter net profits to \$82m, or 87 cents a share, from \$49m, or 56 cents, in 1991.

The company, which now fully-owns the former Philips appliance business in Europe, saw revenues rise 8 per cent to \$1.94bn from \$1.71bn.

Whirlpool's earnings before taxes and other items were 39 per cent higher at \$104m against \$75m.

Shares in Whirlpool climbed 32% to \$51.4, a 52-week high, in midday NYSE trading.

For the full year, Whirlpool net income rose 20 per cent to \$205m, or \$2.90, on revenues which grew 8 per cent to \$7.3bn. In 1991, the company earned \$170m, or \$2.45, on revenues of \$6.78bn.

Mr David Whitman, chairman and chief executive, said all three of the company's regional home-appliance segments had a record year in 1992. In North America, revenues, operating margin and earnings increased significantly, helped by a 7 per cent rise in industry-wide shipments in the region. Industry shipments are expected to rise another 3 to 4 per cent this year.

In Europe, Whirlpool said its shipments improved in spite of industry trends towards lower shipments. "What's encouraging is that we anticipate even greater cost efficiencies from steps we took during 1992 to restructure Whirlpool Europe to take advantage of the emerging European single market," Mr Whitman said.

Whirlpool's overseas division, which covers Latin America and Asia, posted profits in Latin America in spite of an equity loss of 14 cents a share in Brazil, against earnings of 4 cents a share in 1991. The company realised a small equity profit in the second half of 1992 from its Brazilian affiliates through cuts in operating costs and a rise in market share.

US brewer up to \$162m in last period

ANHEUSER-BUSCH, the largest US brewer, lifted fourth-quarter net profits to \$161.6m, or 58 cents a share, from \$159.2m, or 55 cents, on sales of \$2.73bn against \$2.67bn, agencies report from St Louis.

Full-year net profits slipped to \$917.5m, or \$3.22 a share, from \$939.8m, or \$3.26, after a \$76.7m charge for changes in accounting practices.

The group expects to report first-quarter 1993 beer sales volume slightly below first-quarter 1992. This was due to the phase-in of production at its new Cartersville, Georgia, brewery beginning in the spring.

The beer maker said it usually builds inventories at the wholesaler level in the first half of each year to meet peak consumer demand during the summer.

Availability of the extra capacity at Cartersville would reduce shipping requirements during the first two quarters of 1993.

While first-quarter sales volume was expected to slip, volume in the second half of 1993 would be substantially higher than the second half of 1992, providing full-year volume growth of 1 to 2 per cent.

For the first quarter of 1993, Anheuser-Busch expects sales to retailers, which are regarded as better indicators of underlying consumer demand, to increase more than 1 per cent.

Sharp fall in Kaiser earnings

By Laurie Morse in Chicago

KAISER Aluminum, the Texas-based aluminium processor yesterday reported fourth-quarter earnings of \$2.5m, or 5 cents a share, down from \$27.1m, or 47 cents, in the year earlier period.

For the year, this brought earnings to \$27.9m, or 47 cents a share, down from \$108.4m, or \$2.03. The sharp drop in earnings resulted from depressed prices for alumina, primary aluminium and fabricated products, the company said.

Fourth-quarter results include a pre-tax charge of \$29m for the write-down of inventory. Kaiser said the company was able to remain marginally profitable in the fourth quarter. Despite aluminium industry oversupply, because of cost-cutting and shipments of value-added products.

Fourth-quarter sales were \$496m, up from \$471.3m, and full-year 1992 sales totalled \$1.9bn, down from \$2.0bn.

Maxxam, the US natural resources group that owns 57.2 per cent of Kaiser Aluminum, yesterday reported a net loss for the fourth quarter and

year. Its forest products operation showed a profit for the quarter and the year, but its property activities which recorded a loss and Kaiser's earnings slump limited Maxxam's profitability.

The group's fourth-quarter net loss came to \$10.3m, or \$1.09 a share, compared with profits of \$9.8m, or \$1.04m, a year earlier. Sales for the fourth quarter rose to \$576.4m from \$535.7m. For the year, the company incurred a net loss of \$7.3m, or 77 cents a share, against a profit of \$97.5m, or \$6.06, in 1991. Sales for the year were little changed at \$2.2bn.

Government officials said Air Canada's decision had nothing to do with BWIA's financial performance, but because Air Canada's management resources were too thin.

BWIA had a net loss of US\$15.6m last year, following a loss of \$24.2m in 1991.

Air Canada postpones BWIA stake talks

By Canute James in Kingston

AIR Canada has suspended talks with Trinidad and Tobago Airways to acquire a stake in the BWIA International airline. The move leaves the state-owned Trinidadian com-

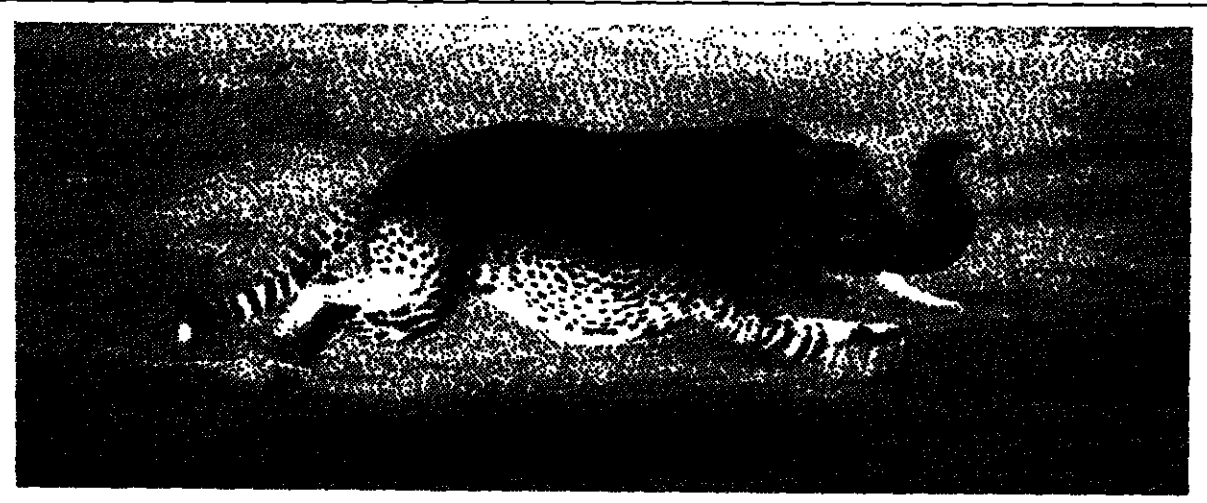
pany continuing its two-year search for a partnership with an international carrier.

The negotiations with Air Canada followed the failure of talks with other airlines, including British Airways and Delta Airlines, to buy into BWIA.

Government officials said Air Canada's decision had nothing to do with BWIA's financial performance, but because Air Canada's management resources were too thin.

BWIA had a net loss of US\$15.6m last year, following a loss of \$24.2m in 1991.

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New Issue
February 10, 1993

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NJK FINANCIAL (BERMUDA) LTD
US\$ 100,000,000 GZARAY222
FLOATING RATE NOTES DUE 1998
Notice is hereby given that for the interest period from 10 February 1993 to 10 August 1993 the notes will carry an interest rate of 3.375% per annum.

PAN - HOLDING
Société Anonyme - Luxembourg
As of January 31, 1993, the unconsolidated net asset value was USD 278,510,800.38, i.e. USD 506.20 per share of USD 200 par value.
The consolidated net asset value per share amounted to of January 31, 1993 to USD 524.57.

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Floating Rate Notes due 1998
Notice is hereby given that for the Interest Period 9th February, 1993 to 10th May, 1993 the Notes will carry a Rate of Interest of 3.7625% per annum. The Interest Amounts payable will be U.S. \$94.06 per U.S. \$100,000 Note and U.S. \$940.63 per U.S. \$100,000 Note. The Interest Payment Date will be 10th May, 1993.
Bankers Trust Company, London
Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

News Corp lifts dividend 20% as earnings surge

By Bruce Jacques in Sydney

NEWS Corporation, the international media group controlled by Mr Rupert Murdoch, has announced a 20 per cent increase in its dividend following continued earnings resurgence for the six months ended December 1992.

Net earnings before abnormal items almost doubled, to A\$490.1m (US\$328.7m) from A\$252.2m on turnover little changed at A\$5.33bn, against A\$5.27bn in the same six months a year earlier.

News Corp also plans a three-for-one bonus issue and has declared a 15 cent a share interim dividend, payable on the bonus shares. That represents a 20 per cent increase on the 5 cents a share interim paid on pre-bonus capital last year.

Central to the profits performance was a 22 per cent reduction in interest expenses to A\$387.4m and a A\$155.8m turnaround to a surplus in the contribution from equity investments.

Equity-accounted investments - principally British Sky Broadcasting, the UK satellite television venture; Ansett, the Australian airline; and Pacific Magazines and Printing - turned a A\$82.7m loss into a A\$93.1m profit.

News Corp earned higher profits from its newspaper, magazine and inserts and television businesses, but contributions from both film and book publishing operations were weaker.

Newspapers remained the largest contributor, with operating income rising 21.7 per cent to A\$546.1m.

Magazines and inserts lifted income from A\$170.7m to A\$208.4m, while television rose 29.6 per cent from A\$124.4m to A\$161.2m.

However, income from films more than halved from A\$67.7m to A\$33.3m and book publishing was down 27.5 per cent to A\$113.6m.

On a geographic basis, the US remained the company's biggest earnings centre, lifting operating income 4.4 per cent to A\$492.7m. News said profits from Fox Broadcasting and Fox Television rose almost 20 per cent, but earnings at Twentieth Century Fox fell 55 per cent.

In the UK, operating income rose by 19.1 per cent from A\$471.5m to A\$567.2m following newspaper cost reductions and circulation increases. Weekly revenues of BSkyB's 50 per cent-owned satellite company were up by 79 per cent.

Operating income from Australia and the Pacific Basin region fell by 16.8 per cent to A\$167.5m, but operating profits rose 15 per cent at the Hong Kong-based South China Morning Post and 28 per cent in Australian metropolitan newspapers.

The group's six-month net earnings are arrived at after tax of A\$53.5m (against A\$12.5m) and depreciation of A\$115.1m (A\$115.2m). This excluded an abnormal loss of A\$37.3m (\$103.1m profit).

Sell-off plans feature in Australian election

By Bruce Jacques

AUSTRALIA'S federal election campaign yesterday produced variations in plans to privatise two of the country's biggest government-controlled companies, the Commonwealth Bank and Qantas.

Mr Paul Keating, the Australian prime minister, announced plans to float a further 19 per cent of the Commonwealth Bank, which is due to release interim results today.

But the planned float of the government's 75 per cent interest in Qantas, the Australian international airline, originally scheduled for June, is now unlikely to take place before October.

Mr Keating said he hoped to

raise more than A\$1bn (US\$670m) from the flotation of 19 per cent of Commonwealth Bank in 1994-95.

This would leave the bank majority government-owned, as A\$1.3bn was raised in 1991 through a 30 per cent float.

The government is hoping to raise about A\$2bn through the Qantas float, following the recent sale of 25 per cent of the airline to British Airways for A\$665m.

The minister for finance, Mr Ralph Willis, said the delay in the Qantas float would also allow the airline to obtain an independent credit rating before severing its links with the government.

Net income up 21% at Saudi American Bank

By Mark Nicholson in Cairo

SAUDI American Bank (Samba), the Saudi Arabian joint-venture bank, has reported a 21 per cent rise in net income for 1992 to SR910m (\$242.45m).

The bank, which is 30 per cent owned by Citicorp of the US, said that profits were led by a 15 per cent rise in earnings to SR193m, which it said marked earnings growth in all sectors.

A gross dividend of SR682.7m, or a net SR35 a share, is to be paid.

Assets rose 5 per cent to SR3.2bn with the bank's loan portfolio up 21 per cent at SR11.6bn, almost all from domestic business.

Customer deposits rose 2 per

cent to SR23.3bn. Samba added SR34m to loan loss reserves.

Public Bank, the third largest commercial banking group in Malaysia, has staged a 33 per cent increase in pre-tax profits to M\$219m (US\$33.3m) for 1992 and is stepping up its dividend. AP-DJ reports from Kuala Lumpur.

The bank said that its performance was bolstered by strong growth in lending and deposits. The dividend is lifted from 4.25 cents a share to 5 cents, an increase of 18 per cent. Earnings per share rose by 25 per cent to 11.4 cents.

Development & Commercial Bank, the Malaysian banking and financial services group, reported a 34 per cent gain in pre-tax profit to M\$157m for 1992.

Cash crunch threatens to clip Ansett's wings

IS time running out for Ansett, the Australian airline jointly owned by Mr Rupert Murdoch's News Corporation and TNT, the transport conglomerate?

Nobody disputes that Ansett's star has fallen a long way over the past three years, beginning with a year-long pilots' strike in 1989-90 which disrupted schedules and scared away passengers.

A few months after the strike ended, domestic aviation was deregulated, triggering a three-way fare battle between Ansett, government-owned Australian Airlines and Compass, an independent carrier which collapsed under the competitive pressure but has since been relaunched.

At the same time, Ansett was trying to cope with a two-year recession which further depressed fares and trading margins, leading to net losses of A\$336m (US\$225.3m) in the two years to last June.

When the airline was making big profits - it reported net earnings of A\$184m in 1987-88 - its critics used to say that it was being given an easy ride by the government, which allowed only Ansett and Australian Airlines to offer national services.

That era ended with deregulation. But the government twisted the sword last year when it suddenly decided, contrary to earlier undertakings,

to merge Australian Airlines with Qantas, and to sell both to the private sector.

The privatisation process, which began in December with the sale of 25 per cent of the merged airline to British Airways, is expected to be completed later this year with a public float of the remaining capital. But the damage to Ansett is already clear.

Not only does the airline's main competitor now have a strong parent and reduced debt, it will also increase its market share at Ansett's expense through booking arrangements with BA and Qantas, which account for more than 45 per cent of inbound passengers. Both Qantas and BA formerly had alliances with Ansett.

In addition, Ansett faces further encroachment on its domestic market share by Air New Zealand, following an inter-governmental agreement last year on the creation of a single aviation market in Australia and New Zealand. Air NZ is already flying from Brisbane to Thailand and Taiwan, and may begin Australian domestic flights later this year.

News Corp and TNT have remained supportive of Ansett, even though both have faced serious problems of their own. However, Mr Murdoch has said



Ansett will need fresh equity if it is to capitalise on opportunities

that News Corp's 50 per cent stake is for sale if a buyer can be found.

Mr David Mortimer, who last year replaced the long-serving Sir Peter Abeles as TNT managing director, is preoccupied with the group's struggle against recession. But he has also made clear that part of TNT's stake is for sale.

Ansett has a well-equipped fleet of modern aircraft, and about 55 per cent of the domestic market - including associated regional airlines. It has also applied for rights to compete with Qantas on international routes. Permission to fly to

Malaysia and Indonesia has already been granted, and applications for flights to Japan and other Asian countries are being considered.

So far, however, the search for fresh equity has failed. Singapore International Airlines (SIA), which bid unsuccessfully for a minority stake in Qantas, has said publicly it was not interested, and so has Cathay Pacific, the Hong Kong-based carrier.

Ansett is still talking to SIA, Malaysian Airlines and Air NZ, which was also an early bidder for a stake in Qantas. Air NZ is viewed by many analysts as the most likely partner because an alliance would

increase its access to international routes commencing in Australia.

However, an investment in Ansett by Air NZ would be frowned upon by Qantas, which holds a 19.9 per cent stake in the NZ airline. The NZ commerce commission might also seek to block such an alliance because of concerns that it could lessen competition in New Zealand, where Ansett is the only domestic competitor to Air NZ.

Ansett has been trying hard to get back on an even keel. It has signed marketing agreements with a raft of foreign airlines, including Lufthansa of Germany, Cathay Pacific, All Nippon Airways of Japan, United Airlines of the US and Alitalia of Italy.

Mr Ken Cowley, the News Corp director who took over as chairman of Ansett last year, has begun raising cash and cutting costs by selling non-core assets and merging regional carriers with the main airline.

Ansett earned operating profits of A\$6.5m in the three months ended September, and is believed to have improved on that in the following quarter. But the airline's financial position remains parlous.

It faces repayments of A\$240m this year on total net

debt of A\$2.28bn, and has only about A\$70m in the form of cash and unused loan facilities. Analysts say it will need a cash injection of at least A\$150m to meet the bills.

Executives say too much attention is being paid to the potential cash crunch. If necessary, they say, the money will be provided by the airline's parents - mainly News Corp. However, even if Mr Murdoch hails out Ansett in the short term, the airline will still need fresh equity if it is to capitalise on international opportunities and avoid being left behind by Qantas in the medium term.

Ansett's rights to international routes cost virtually nothing to acquire, but will be expensive to take up. Some of the airline's Boeing 767 aircraft could be diverted from domestic services to the shorter international routes, but analysts say it is hard to see how Ansett could finance the acquisition of bigger aircraft for the Japanese routes.

"The future looks very difficult for them," says Mr Julian Mulcahy, aviation analyst at ANZ McCaughan. "The airline was profitable in the first half, and that may give them some help in dealing with their backers, but they do need an equity injection in the next 12 months. If they don't get it, who knows what will happen?"

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Gilts suffer jitters on fears of rising UK inflation

By Sara Webb in London
and Patrick Harverson
in New York

INFLATION worries depressed the UK government bond market and pushed gilt prices down by as much as half a point, but the market later recovered most of the losses as investors bought on weakness.

GOVERNMENT BONDS

Rising inflation. Input prices for manufacturing jumped 1.5 per cent in January - giving a year-on-year rise of 1.2 per cent - whereas the market had expected to see a 0.5 per cent rise on the month.

The news helped to push the March Life gilt futures contract down from its opening level of 101.03 to a low of 100.27, but the futures contract later recovered to reach 101.05 by late afternoon. In the cash market, prices were depressed across the curve, but picked up as investors bought on weakness.

■ **BELGIAN** government

bonds were marked down around a point, with dealers pointing to the recent easing of the D-Mark and concern about the country's heavy borrowing requirement.

The Belgian franc came under pressure last week before the German Bundesbank cut its key interest rates. "The recent easing of tensions within the ERM and return of confidence to the French franc has killed off interest in the Belgian bond market," said one dealer. "Belgium was seen before as one of the hard core currencies in the D-Mark bloc, but now yields on French and Belgian 10-year paper are the same," he added.

Elsewhere in Europe, German government bonds edged up slightly, with the Life bond futures contract rising from its opening level of 93.12 to trade at 93.23 by late afternoon.

■ **JAPANESE** government bonds continued to rally strongly, helped by the combination of a sharp rise in the yen against the dollar, stock market weakness, and another round of bond-buying by the finance ministry.

The yen strengthened from ¥124.35 to the dollar, to ¥121.75

FT FIXED INTEREST INDICES

	Feb 9	Feb 8	Feb 5	Feb 4	Feb 3	Year	High	Low
Short-term	95.03	95.24	95.37	95.41	95.26	95.26	95.54	95.11
Fixed Interest	110.82	110.92	110.98	110.98	110.87	110.93	111.98	110.93

Source: 100 Government Securities 15/10/92; Fixed Interest 100%
For 1992/93, Government Securities high above completion: 127.40 (9/10/92), low 49.18 (9/1/93)
Fixed Interest high above completion: 118.18 (9/10/92), low 50.53 (1/1/93)

GILT EDGED ACTIVITY

	Feb 8	Feb 5	Feb 4	Feb 3	Feb 2
Edged	12.2	14.7	16.1	16.7	20.7
Edged	108.1	108.1	173.4	185.5	188.0

SE activity index released 1974

yesterday spurred by market talk that Japan's trade partners were stepping up pressure for a stronger yen. The Nikkei index fell below the psychologically important 17,000 level, but ended the day 259.48 lower at 17,022.37.

The yield on the benchmark No 145 opened at 4.29 per cent, corresponding to the low price of the day, and moved to 4.23 per cent before ending at 4.245 per cent. The June futures contract, which took over as the new benchmark yesterday, rose from 109.14 to a high of 109.54 before closing at 109.50.

■ **THE AUSTRALIAN** government bond market closed firmer as prime minister Mr Paul Keating yesterday unveiled proposals to cut corporate tax in an attempt to

spur investment and employment growth. Mr Keating promised that a re-elected Labour government would cut the company tax rate to 33 per cent from 39 per cent, and would give an immediate 10 per cent taxation allowance for business investment.

In addition, he announced that the government now expects a budget deficit of A\$15.9bn in the year ending June 30, against an original targeted deficit of A\$13.3bn.

Most of the difference will be funded through extra bond sales. Bond prices edged up as the market had already discounted the financial package and participants covered short positions.

■ **US Treasury** prices eased slightly across the maturity

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week	Month
AUSTRALIA	10.000	10/02	107.9994	-	8.76	2.62	8.97
BELGIUM	8.750	05/02	106.1500	-1.150	7.80	7.56	7.51
CANADA	7.250	05/03	95.7600	-	7.86	7.94	8.02
DENMARK	8.000	05/03	95.0500	-0.075	8.76	8.53	8.58
FRANCE	8.500	03/97	102.3572	-0.389	7.70	7.91	7.91
FRANCE	8.750	03/97	102.3572	-0.389	7.70	7.91	7.91
GERMANY	8.000	07/02	105.3000	+0.280	7.08	7.10	7.14
ITALY	12.000	05/02	98.9500	-0.310	12.97	13.22	13.58
JAPAN	No 119	4/00	103.8726	+0.281	4.03	4.14	4.39
JAPAN	No 145	5/00	102.8200	+0.424	4.24	4.30	4.45
NETHERLANDS	8.250	06/02	104.0000	+0.140	8.98	7.08	7.15
SPAIN	10.500	06/02	93.5500	-1.025	11.43	11.71	12.48
UK GILTS	10.000	11/98	111.40	-9.92	8.64	8.63	7.24
UK GILTS	8.750	03/02	103.13	-13.92	8.59	8.52	8.78
US TREASURY	6.375	08/02	99.30	-19.32	6.39	6.40	6.73
US TREASURY	7.625	11/22	105.03	-14.32	7.20	7.25	7.46
ECU (French Govt)	8.500	03/02	102.7250	-0.025	8.07	8.17	8.42

London closing. "Domestic Rate" morning session. "Yield" Local market standard. "Change" annual yield (including withholding tax at 12.5 per cent payable by non-residents).

Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

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Globex system gains approval for Japan trade

By Laurie Morse
in Chicago

GLOBEX, the Chicago-based electronic derivatives trading system, has received formal approval to begin trading in Japan. This will help the system fulfil its initial objective to be a round-the-clock vehicle for futures trading.

The lack of terminals in Japan has hampered Globex since its launch last summer, according to Mr Leo Melamed, chairman. The system was designed to allow traders to pass their derivatives "book" around the globe, around the clock.

Japan's absence interrupted the flow of trading, leaving a gap in the Asian time zone. Mr Melamed said, Globex volume has been averaging just 3,000 contracts a day and negotiations to add non-US futures exchanges to the system have lagged.

Globex is jointly owned by the Chicago Mercantile

Exchange, the Chicago Board of Trade and Reuters Holdings. So far about 80 per cent of the around 200 active Globex terminals are installed in the US, with the remainder in London and Paris.

Globex officials said 28 terminals will be installed in the offices of CME and CBOT member firms in Tokyo, and that trading on these terminals should begin soon. They said additional terminals would be activated in Hong Kong during March, and in Geneva later this spring.

● National principal amount of foreign currency and interest rate swaps exceeded \$1,470bn in the six months ended June 1992, up 44 per cent, according to the International Swap Dealers Association. However, despite the overall gain, foreign currency swap volume declined. Interest rate swaps accounted for \$1,330bn (up 53 per cent) and currency swaps \$136bn (down 7 per cent), ISDA said.

Investors seek advice in United Newspapers row

By Tracy Corrigan

A ROW has erupted over the treatment of investors in a United Newspapers issue of convertible preference shares. Some investors, who lost payment of the annual dividend on the shares, are currently taking legal action on the matter.

The £106m issue, which was exchangeable into ordinary shares in Reuters Holdings, was called for early redemption by the issuer last December. The decision to call the issue forced investors still holding the preference shares to convert into Reuters shares. By doing so, they forfeited payment of the fixed 8 per cent dividend due on the preference shares, but because of the timing, they also missed receiving payment of the Reuters share dividend.

There are just seven days each year when the issuer can

take advantage of the documentation to redeem the bonds without paying the dividend. Investors claim that this is a loophole which has saved United Newspapers an estimated £8.1m in dividend payments at their expense.

"We believe that this sort of action is bad market practice, misleading investors who do not read the small print," said one investor in the issue.

However, an official at United Newspapers said that the company had taken every care to follow correct procedure. "Before we called the issue, we made sure we understood the terms of the issue required, and then followed the terms of the issue precisely," he said.

There is similar wording on an £80m Smith & Nephew issue of convertible preference shares due 2004. Officials at Smith & Nephew declined to comment on the issue.

Eurodollar sector attracts most activity on quiet day

By Antonia Sharpe

THE Eurodollar sector attracted most of the activity in a quiet day for new issues yesterday, as syndicate managers kept their vigil for a widely-expected dollar deal from Denmark.

Separately, the World Bank confirmed market talk of an imminent global yen bond issue, which it plans to launch in late February. The underwriting group will be led by IBJ International, Morgan Stanley and Nikko Securities. Syndicate managers said the World Bank's third global bond offering in yen was likely to raise ¥200bn and to have a maturity of between seven to 10 years.

There were reports that the Danish deal was still waiting for ministerial approval but

syndicate managers hoped that it would be launched by the end of the week. One syndicate

INTERNATIONAL BONDS

manager said that any further delay would result in less favourable terms for Denmark, since the US Treasury's quarterly refunding auctions this week were likely to temper investor demand.

Among yesterday's Eurodollar deals, the \$300m seven-year offering from Sandoz Overseas Finance arranged by CSFB was said to be the most successful. Although the Swiss chemicals company has no rating and the maturity of the bond exceeded the current preference among Swiss investors for maturities of five years

or less, the deal went in "two minutes," according to one manager involved in the deal, reflecting the company's good name in the market. The bond was priced at 38 basis points above comparable US Treasuries, and after the syndicate was broken, the spread tightened to less than 30 points.

By contrast, distribution of the \$200m 10-year bond for Norddeutsche Landesbank was "slow," according to an official at the lead manager, Salomon Brothers International.

Several convertible issues in various currencies were launched yesterday. Sun Alliance, the composite insurer, was the second UK company in less than a week to bring a sterling subordinated Euroconvertible issue. On February 2, Northern Foods, the dairy and convenience food company,

raised £91.28m through a similar issue, also arranged by NM Rothschild.

As with Northern Foods, demand among investors for high-yielding instruments enabled Sun Alliance to

increase the size of its issue to £155m from £140m. The issue has a 15-year maturity but may be redeemed after five years.

The semi-annual coupon was set at 7 1/2 per cent, at the lower end of the indicated range of

7 1/4 to 8 1/2 per cent, and the conversion price at 39p represented a premium of 15.38 per cent over the ordinary share price at the time of pricing, at the high end of the indicated range of 14.18 per cent.

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Isosceles disposes of US sports goods chain

By Maggie Urry

ISOSCELES, the heavily-indebted parent company of the Gateway food retail group trying to renegotiate its debt, has finally agreed the sale of Herman's Sporting Goods, its US chain of 259 sports shops.

The price agreed with the purchaser, an investor group led by the Taggart/Fasola Group, a US management firm which specialises in turnaround situations, was not disclosed. However, it is thought that Isosceles will receive about \$40m (£26m) for the chain.

Isosceles has been trying to sell Herman's since it succeeded with a £2.1bn leveraged buy-out of Gateway in 1989.

The sale of Herman's is expected to close in early March.

Mr William Taggart, chairman of the Taggart/Fasola Group, said "in order to grow in the 1990s Herman's will need fresh capital and fresh ideas".

Dee Corporation, the former incarnation of Gateway, paid £278m for Herman's in 1986 and then expanded it by acquiring another chain for £45m. Even before Isosceles' bid for Gateway, Herman's was proving an unhappy investment.

Soon after Isosceles bought Gateway it is thought to have received an offer for Herman's of about \$300m (then about £200m), but this fell through when the buyer was unable to assemble the necessary funds.

Another possible purchase fell through in October last year.

In Isosceles' last accounts, for the year to April 26 1992, the investment in Herman's was written down by £144.8m. It was shown in the balance sheet under "investments held for disposal" and was thought to make up the bulk of the £57.7m value put on these. Another write-down is therefore expected in the next accounts.

Isosceles is currently in talks with its lenders over a refinancing of £1.4bn debt. It has a standstill agreement with its banks until May 28 this year.

It has yet to publish interim results, and these may not appear until agreement on the refinancing is reached.

Hunting coatings side sold for £19m

By Richard Gourlay

HUNTING, the defence, aviation and oil services company, has sold its specialist coatings division to Williams Holdings, the industrial conglomerate, for about £19m.

The sale marks the end of Hunting's attempt to develop a special coatings leg that would reduce group dependence on a declining defence market.

Mr Ken Miller, chief executive, said the group had already gone a long way along a better diversification path with the development of its oil services and aviation divisions.

Yesterday Hunting added two Houston-based oil service companies at a cost of £5m. It also announced a \$250,000 purchase from Pirelli of Sekur, an Italian defence company whose products include fuel tanks and rubber components for tracked vehicles.

Hunting also said that in December it raised \$50m (£33m) for a 5-10 year period through a dollar private placement. The announcements come only days after it was awarded a seven year contract to manage the UK government's Atomic Weapons Establishment at four sites including Aldermaston in Berkshire.

As a result of the deals, gearing should fall from the 70 per cent level prevailing at the end of December, according to Mr Miller.

This was after taking account of additional working capital requirements to fund the AWE contract and the benefit to shareholders funds from a £10m profit over book value on the sale.

The coatings businesses, which trade under the Hammerite name, will be an addition to the Williams stable of consumer building products that include Polycell and Cuprinol.

Mr Nigel Rudd, Williams chairman, said the deal was consistent with group policy of buying market leading brands in the consumer building product and fire and safety areas.

Hunting shares closed up 13p at 235p.

Changes for an extended family

Philip Gawith and Kenneth Gooding on Anglo American's reshuffle

NOT EVERY member of the Anglo American Corporation of South Africa's extended "family" was entirely happy with the outcome of the latest reshuffle of the group's international assets. But the reorganisation pleased most of those directly involved as well as long-time Anglo observers.

The reshuffle involved no less than four companies perceived to be in Anglo's orbit: Charter Consolidated sold its 38.3 per cent shareholding in Johnson Matthey for £342m. A new company jointly owned by Minorco and Johannesburg Consolidated Investment acquired 30 per cent of JM and the rest of the shares went to London-based institutions.

Mr Jeff Herbert, managing director of Charter, a UK industrial company, was wearing a huge smile yesterday because Charter started the ball rolling some time ago by deciding the stake in JM, the world's biggest platinum marketing company, simply had to go. It represented about half Charter's market value but Charter had limited management influence and no direct access to JM's cash flow.

By putting the cash received on deposit Charter can double its income from the £5m collected in JM dividends to £12m in interest.

If Mr Herbert's joy was not entirely unconfined yesterday, it was because a leak about the JM share sale forced Charter to shelve the second element in its strategy - cutting Charter completely adrift from Anglo's influence by buying back the near-36 per cent of Charter owned by Minorco, Anglo's Luxembourg-based overseas investment arm.



Jeff Herbert: Anglo had not interfered as he reshaped Charter

Nevertheless, most analysts expect that will be Mr Herbert's next step and he confirmed yesterday that was one of his options.

Mr Herbert said Anglo had exerted no pressure on him as he reshaped Charter during the past five years. Minorco was always supportive and helpful, not least over the decision to sell the JM shareholding.

Nevertheless, some close to the deal suggested Anglo was called on to mediate about which family member should buy the JM shares. Johannesburg Consolidated Investment approached Charter to buy 20 per cent of JM last November.

JCI, which has a 33 per cent shareholding and manages Rustenburg, the world's biggest platinum producer, had heard that the JM stake was up for sale and had strategic reasons for making sure it did not fall into unfriendly hands.

However, Minorco did not want JCI to take more than 10 per cent of JM. Minorco has a

direct 30 per cent shareholding in Engelhard, the US platinum market group and one of JM's rivals. One day Minorco might want to increase that stake but its soundings among anti-trust regulators in Europe and the US suggested that this might not be possible if 20 per cent of JM was held by any one member of the Anglo family.

So a last-minute compromise was worked out for Minorco and JCI to share 20 per cent of JM, insiders suggest. From Minorco's point of view this enabled it to keep a strategic shareholding in JM, even if that stake was reduced from about 14 to 10 per cent, and still equity account its interest in the platinum company.

Any threat that the reshuffle would attract the unwelcome attention of anti-trust authorities was further lessened by the sale of 18.3 per cent of JM to institutional investors, thus widening the ownership base. Barclays de Zoete Wedd and UBS Phillips & Drew placed

the shares at 458p each with institutions in London.

Mr David Davies, chairman of JM, pointed out that once the deal was completed, JM would be "a truly independent company". The effective control exerted by Charter's stake would be removed and trading liquidity in JM's shares should improve - an important consideration for a company with realistic ambitions to join the FTSE 100 index.

Mr Davies also pointed out that the reshuffle would provide a direct link between JCI, manager of Rustenburg, and JM, which for 60 years has had exclusive marketing rights to Rustenburg's platinum output. This could lead to some important commercial benefits. For example, fuel cells to propel vehicles could be most important for the platinum business in 10 to 15 years time but would be extremely expensive to develop. "So when you have JCI-Rustenburg, interested in new uses for platinum, and JM at the forefront of fuel cell technology, the two together become a potent force."

Many on the outside looking in at the complexities of the deal, agreed with Mr Rob Weinberg, analyst at Societe Generale Strauss Turnbull, who suggested that "the deal appears to have been well-structured for the benefit of all parties. Charter has disposed of its interest in JM at an attractive price. Minorco has retained its strategic interest. JCI has moved downstream in the platinum industry and strengthened its links with the company which markets its products. And the market has picked up a good line of JM stock at a 7 per cent discount to Monday's market close."

Reed Intl sells stake in BSKyB

By Raymond Snoddy

REED International yesterday reached an agreement to sell its indirect stake in British Sky Broadcasting in a deal worth £82.3m.

Reed is selling its 3.66 per cent stake in BSKyB, the satellite television venture, to the other three principal shareholders in BSB Holdings - Chargeurs, Pearson, owners of the Financial Times, and Granada.

Reed, part of the merged Reed Elsevier publishing group, will receive £12.3m in cash immediately.

The balance will be paid over the next two or three years out of any proceeds that flow to the three shareholders from BSKyB, whether from dividends or interest payments.

The deal takes Reed to the head of the queue for any money flowing from the satellite venture.

Mr Peter Davis, chairman of Reed, said: "It is a deal arrived at between the three and ourselves freely because they don't have to buy and we don't have to sell."

Aberdeen Petroleum moves for Brabant

By Peggy Hollinger

ABERDEEN Petroleum, the US-based oil and gas production company which is quoted in London, yesterday threw down the gauntlet to Brabant Resources with an all-paper bid valuing the UK explorer at £6.5m.

The move follows Aberdeen's protracted efforts to reach agreement on a friendly merger with Brabant. If successful, a takeover would double Aberdeen's issued capital.

Mr Nicholas Cay, Brabant's finance director, said his group still strongly opposed any proposals from Aberdeen. "It is not consistent with Brabant's strategy and there is no clear synergy," he said.

Brabant would delay its results, due tomorrow, until Aberdeen's offer document is published.

Aberdeen is offering 35 shares - which closed 14p down at 11½p - for every 10 Brabant. This values Brabant at 39.3p per share, compared with last night's close of 39p, up 10p on the day.

Aberdeen already controls 21.4 per cent of Brabant. This includes its holding of 9.99 per

cent and irrevocable undertakings from Titon Oil & Metals to accept the bid in respect of its 11.4 per cent stake.

Mr David Hooker, Aberdeen's managing director, said the takeover made sense in the light of an inevitable rationalisation of the small oil and gas sector. "If we can give a lot of these companies together, and increase liquidity, it would make sense (for institutional shareholders)", he said. Significant savings could be achieved on overheads and by cutting down exploration.

The bid was described by analysts and some institutional investors as opportunistic, however. One analyst suggested that Aberdeen, with all its assets in North America, "is carrying costs in the UK which the US is not happy about".

A large shareholder also suggested that Aberdeen was trying to fend off its own potential predator. Pintercliff, the telecommunications and resource group, recently took a 16.8 per cent stake in Aberdeen. Pintercliff is reported to be building up its oil and gas assets in advance of a demerger of its two divisions.

Shell sells bulk of Colas division for £72m

By Angus Foster

SHELL UK has sold its road services and building materials subsidiaries to a management-led buy-out vehicle backed by Charterhouse Development Capital.

The subsidiaries form the main part of Shell's Colas division. They include one of

Europe's leading manufacturers of road markings and have been sold for £72m, which includes £20m of net cash. The purchase price is close to asset value, the company's advisers said.

The road services business trades under names such as Prismo in the UK and Prosign in France. The building materi-

als company manufactures roofing felts and flooring adhesives in the UK. The subsidiaries acquired employ about 1,400 people.

Charterhouse underwrote the £30m equity portion of the deal. The former management will take a small stake.

The debt portion of the transaction, equal to £22m

before working capital, was arranged by Morgan Grenfell and underwritten by the Bank of Scotland. Shell was advised by Lazards.

Two other companies within the Colas group, road surfacer Colas Limited and civil engineer Colcon, were not for sale and will remain within Shell UK.

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Kraft General Foods Europe

Mr Johnny Thijs
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Speakers taking part include:

Mr David Maclean MP
Minister for the Environment and Countryside

The Rt Hon The Lord Crickhowell PC
National Rivers Authority

Mr Tom Garvey
EEC

Miss Janet Langdon
The Water Services Association of England and Wales

Dr Jürgen Müller
Deutsches Institut für Wirtschaftsforschung

Dr Leszek Baginski
Polish Ministry of the Environmental Protection, Natural Resources and Forestry

Mr Ian Byatt
Office of Water Services

Mr Jean-François Didon
Lyonnaise des Eaux Dumez

Mr John Bellak
European Waste Water Group
Severn Trent Plc

Professor George Fleming
Strathclyde University

Mr Josue Tanaka
European Bank for Reconstruction and Development

Mr Nikolai Mikheev
Ministry of the Environment and Natural Resources of the Russian Federation

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CABLE & SATELLITE BROADCASTING

London, 23 & 24 February

The Financial Times annual conference will review the state of progress of the new international television channels, their effect on the conventional television companies and the associated business, investment and regulatory issues. Speakers include: Sir George Russell of the Independent Television Commission; Sir Bryan Carsberg of the Office of Fair Trading; Mr John Birt of the BBC; Dr Burkhard Nowotny of Deutsche Welle; Mr Adam Singer of International Telecommunications Inc; Mr Edward Bleier of Warner Bros Inc and Mr Gary Davey of British Sky Broadcasting.

TRANSPORT IN EUROPE - CREATING THE INFRASTRUCTURE FOR THE FUTURE

London, 2 & 3 March

The UK Government's transport policy and prospects for the privatisation of British Rail will be the subject of a keynote opening address to be given by The Rt Hon John MacGregor, OBE, MP, Secretary of State for Transport. Mr John Welsby of the British Railways Board will also be speaking. Transport problems in Germany will be outlined by Professor Dr Günther Krause, German Federal Minister for Transport and Mr Karl Sicking, Planning Director of Banverket will review the Swedish deregulation process and experience.

WORLD PHARMACEUTICALS

London, 8 & 9 March

The pharmaceutical industry's relationship with governments, shareholders, interest groups and the public will be addressed, also healthcare costs and pricing policies. Mr Thomas Cueni, Secretary General of Interpharma has agreed to join the speaker panel which includes Mr Robert Cawthorn, Rhône-Poulenc Rorer; Mr David Friend, Zaneca Pharmaceuticals; Mr Frederick Frank, Lehman Brothers; Prof. Dr Dr Ernst-Günter Athing, Hoechst; Mr Henry Wendt, SmithKline Beecham and Dr Claudio Cavazza, SIGMA TAU Group.

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Environmental legislation, the cost of up-grading water quality and moving to new methods of waste disposal will be reviewed as well as opportunities and challenges for companies seeking fresh markets in Eastern and Central Europe. Speakers include: Mr David Maclean, MP, Minister for the Environment and Countryside; The Rt Hon The Lord Crickhowell, PC, of the National Rivers Authority; Mr Ian Byatt of Ofwat; Mr Jean François Didion of Lyonnaise des Eaux Dumez; Mr Nikolai Mikheev of the Ministry of the Environment and Natural Resources of the Russian Federation and Mr Josue Tanaka from the EBRD.

THE FOOD & DRINK INDUSTRY

London, 23 & 24 March

The food and drink industries worldwide are being radically reshaped as manufacturers expand internationally in search of faster growth and improved scale. Conference speakers include: Mr George Bull, Grand Metropolitan; Mr Colin Overbury OBE, Commission of the European Communities; Mr Logan Taylor, Argyl Group and Mr Todd Martin, Kraft General Foods Europe.

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COMPANY NEWS: UK

Weak property market wipes out growth at MSC

By Ian Hamilton Fazez, Northern Correspondent

MANCHESTER SHIP Canal yesterday reported a marginal decline in pre-tax profits, from £10.8m to £10.5m, as difficult property markets wiped out growth on its port operations.

Turnover rose 37 per cent to £27.7m (£20.2m) and operating profits by nearly 14 per cent to £5.97m (£5.25m), thanks to a continuing squeeze on costs.

The port made profits of £6.07m, a rise of 16 per cent on turnover up 3.5 per cent to £20.9m and cargoes ahead 2.3 per cent at 7.96m tonnes.

This, however, was not enough to counter falling income from property and investments, and there was an exceptional debit of £1.45m to disband the company's police force.

The company's main port interests are concentrated around Ellesmere Port and Runcorn in Cheshire, while most of its property comprises the old Manchester docklands at Trafford Park and Salford Quays, where there is local oversupply of new office space.

Tax took £2.05m - against credits of £2.2m - because of reduced enterprise zone allowances.

This caused earnings per share to fall to 219.6p (339p). The proposed single dividend is unchanged at 4.5p.

Shareholders' funds improved from £137.3m to £153.1m after revaluation of dredging deposit grounds and the company's interest in a waste disposal site.

Mr Robert Hough, chairman, said the property division had "weathered the storms reasonably well". Rental income had fallen by £700,000, but properties had been sold for £9.88m at a profit of £380,000.

He believed Harbour City, the flagship development in Salford Quays, would eventually attract more tenants because of its high standard of design. He also hoped for a government decision this year on the company's Dumphington site.

The 300-acre site is on the south bank of the canal at the junction of four motorways. A regional shopping centre is proposed.

Betacom back in the black with £350,000

By Graham Deller

BETACOM, the telecommunications equipment supplier which is 71.3 per cent owned by Mr Alan Sugar's Amstrad, returned to the black in the half-year to December 31 1992.

On turnover from continuing operations ahead to £6.67m (£5.11m) - reflecting an expanded product range, particularly in telephone answering machines - pre-tax profits emerged at £350,000 against losses of £844,000 in the corresponding six months.

The figures were compiled under FRS 3 accounting principles.

Costs of restructuring and rationalising the range amounted to £73,000.

The result was helped by an interest turnaround to £145,000 receivable (£218,000 payable), and included an operating profit of £213,000 (£324,000) from discontinued businesses.

The disposal of the Lowe Betacom joint venture was completed in September.

Operating profits from continuing operations totalled £65,000, against a deficit of £196,000.

Mr Ken Ashcroft, chairman and former corporate finance director at Amstrad, said the group "was now recovering its market share in the UK after an extremely difficult period".

Net assets at the period end amounted to £10.4m, including cash of £3.4m.

Earnings per share emerged at 0.46p, against losses of 3.86p.

Right ingredients for success

Andrew Bolger looks at the flotation plans of Yorkshire Food

YORKSHIRE Food Group, which has expanded rapidly by buying ingredients businesses from Berisford International, will be floated on the market this spring.

The Bradford-based business was founded by Mr Mike Firth, 46, the chairman and chief executive.

In 1991 Yorkshire, backed by institutions, paid £11m for Scotia Haven Foods, Berisford's loss-making dried fruit business, and last year bought Treehouse Farms, Berisford's Californian almond processor, for \$9.98m (£5.6m).

These acquisitions boosted Yorkshire's turnover from £15m in 1990 to more than £60m last year. Operating profits have grown from £664,000 to more than £3.5m. The group is expected to have a market value of about £35m.

A forceful Yorkshireman, Mr Firth and his team transformed Scotia Haven's pre-tax losses of £1.29m in the year before acquisition to a profit of £800,000 by squeezing working capital.

Stock values were reduced from more than £6m to £1.5m by the end of 1991, so outside warehousing totalling 70,000 sq ft was no longer required at the plant near Warrington, Cheshire.

Stock control was integrated with the production, buying and sales functions, and improved credit controls helped cash management.

Permanent staff kept their jobs, but 80 fewer seasonal workers were employed and nine senior managers were replaced by three from Yorkshire Foods.

However, Yorkshire is not just in the business of trimming costs. Treehouse incurred a loss of \$743,000 in the year before it was acquired, but the new owners brought it back into profit by substantially increasing the company's purchase of nuts - almost all of which were sold by Christmas.

Mr Firth believes that the same management disciplines can be applied to other parts of the food industry, and Yorkshire intends to make further substantial acquisitions. He said: "It comes down to ambi-



Mike Firth: forceful Yorkshireman who relishes the cut and thrust of the commercial fray

tion - I believe we have a management team which is capable of running a much bigger company."

Mr Firth, who studied physics at Bradford University, established his own packaging business in 1974 with a £3,000 bank loan after he quit as a production manager with Mars.

He said: "Mars offered me promotion, but I'd always wanted to run my own business and did not want to get used to a fat salary."

After packaging toys and games, in 1979 he established Normanton Foods, near Leeds, which packs sugar, mainly for Sainsbury.

It later expanded into direct purchasing of raw materials for packing and selling to retail chains.

In 1983 Mr Firth bought the stock of Hunni Foods, a commodity packer of nuts and pulses from the receiver for £25,000 - and then sold it for £40,000. Hunni brought an additional range of products, a label and a modest customer base, which by 1985 extended to Wm Morrison Supermarkets.

Mr Firth relishes the cut and thrust of the commercial fray. He recalls an early attempt to drive him out of business by a major competitor, which offered to supply Morrison at practically cost price.

Morrison allowed him to

keep the reduced-rate business, but Mr Firth obtained a copy of the competitor's rock-bottom bid, and delighted in faxing it to buyers of all the leading supermarket chains. Mr Firth said: "The whole affair cost me about £150,000, but it must have cost them £1.5m. I've never enjoyed myself so much."

Yorkshire has two beverage subsidiaries near Halifax - Freshroast Coffee, which roasts and packs beans, and Coffee Mac, which offers an extensive range of beverage dispensing machines.

Although the businesses account for only about 4 per cent of the enlarged group's sales, they enjoy high margins and the group intends to build Coffee Mac, which currently has 500 machines installed, into a national chain.

The group has enjoyed more mixed fortunes with its two baking subsidiaries, Forshaws (Confectioners) and Crossfield, which supply pies to retailers and caterers.

Last year the daily delivered confectionery business and bakery business was closed because of the high levels of investment needed in an extremely competitive market.

Crossfield has won important contracts, such as supplying part-baked frozen pies,

which have a distinctive "home-made look" to Euro-Disney in France. Baking represents only 2.5 per cent of group sales, but Mr Firth is determined to learn more about the bakery business - which he estimates is worth more than £3bn annually.

However, there is no doubt that Yorkshire's main focus will be on relatively large food processing and packaging operations, where the management's tight controls have most scope for finding cost-savings and greater efficiency.































Mr Firth said: "It is easier to make savings with big numbers. You also spend the same time on a £40m deal as you do on a £1m one."

The group, which will have gearing of about 30 per cent after the flotation, is likely to make a fairly rapid move in the UK. Longer-term, Mr Firth likes the West Coast of the US, and believes the size of the domestic market there means many American businesses do not fully appreciate export opportunities.

Yorkshire will come to the market through a placing sponsored by stockbrokers Panmure Gordon. It is being advised by National Westminster Bank.

The group has been backed by Murray Johnstone's venture capital arm and Philidrew Ventures.

Citicorp: International Financing Review's 1992 Emerging Markets Corporate Finance House of the Year.

 desc Desc, Sociedad de Fomento Industrial, S.A. de C.V. US \$100,000,000 US\$ Euro Commercial Paper Program ARRANGER & DEALER Citicorp February 1992	 TELECOM Telecom Argentina S.A. US \$1,200,000,000 Global Equity Offering of 200,000,000 Shares of Common Stock INTERNATIONAL SUCESOR AGENT Citicorp March 1992	 Eagle CreditCard Limited US \$80,000,000 Securitization of Future Credit Card Installments of  Secured Floating Rate Notes due 1992-1997 ARRANGER & PLACEMENT AGENT Citicorp March 1992	 Citibank, N.A. Brazil Branch US \$100,000,000 8.25% Fixed Rate Notes due March 15, 1993 LEAD MANAGER Citicorp March 1992	 Procter & Gamble de Mexico, S.A. de C.V. US \$100,000,000 Medium Term Notes 5.5% Notes due 1995, 5.5% Notes due 1996, 5.5% Notes due 1997 7.0% Notes due 1998, 7.0% Notes due 1999 Unleveraged and Interest Payments Guaranteed by Procter & Gamble Company ARRANGER & EXCLUSIVE PLACEMENT AGENT Citicorp March 1992	 Resin US \$200,000,000 Leveraged Buyout Financing for the development of a polypropylene plant in Mexico ARRANGER & DEALER Citicorp March 1992	 United Mexican States US \$200,000,000 Multi-Currency Euro Commercial Paper Program ARRANGER & DEALER Citicorp March 1992	 Nacional Financiera, S.A. US \$200,000,000 Euro Commercial Paper Program ARRANGER & DEALER Citicorp April 1992	 UNIBANCO US \$100,000,000 10% Fixed Rate Notes due April 7, 1994 LEAD MANAGER Citicorp April 1992
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 Bancomer Bancomer, S.A. US \$350,000,000 8.75% Fixed Rate Notes due November 15, 1993 ARRANGER & PLACEMENT AGENT Citicorp November 1992	 Citi Investments, S.A. US \$50,000,000 8.75% Fixed Rate Notes due November 15, 1993 LEAD MANAGER Citicorp November 1992	 GRUPO CARSO, S.A. DE C.V. US \$100,000,000 Euro Commercial Paper Program ARRANGER & DEALER Citicorp November 1992	 FEMSA Fomento Economico Mexicano, S.A. de C.V. US \$100,000,000 Euro Commercial Paper Program ARRANGER & DEALER Citicorp November 1992	 IBM World Trade Corporation US \$40,000,000,000 General Business Machines Corporation ARRANGER & DEALER Citicorp December 1992	 CITICORP US \$40,000,000,000 General Business Machines Corporation ARRANGER & DEALER Citicorp December 1992	 EMPRESA MINERA INTI RAYNE, S.A. US \$50,000,000 Project Financing for the development of a copper mine in Mexico ARRANGER & DEALER Citicorp December 1992		

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COMPANY NEWS: UK

Powerscreen disposes of Guzzler for \$24m

By Jane Fuller

POWERSCREEN International, the Northern Ireland-based maker of screening and crushing equipment, has sold one of its US subsidiaries for \$24m (£16.8m) to Federal Signal Corporation.

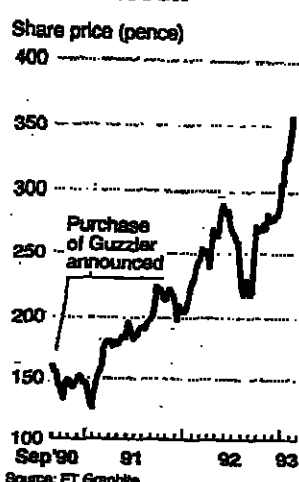
Guzzler Manufacturing, which makes truck-mounted vacuum cleaning equipment for industrial sites and sewers, was bought by Powerscreen for \$17.9m in August 1990.

Mr Barry McGovern, finance director, said Federal Signal's first approach had been rebuffed. An improved cash offer had changed the management's mind.

He added that Powerscreen had taken \$5.3m cash out of Alabama-based Guzzler in debt repayments and interest since its purchase. The US company made \$2.1m in after-tax profits on \$7m sales in 1991-92. But that was on a low tax rate of 10 per cent. By next year that rate was expected to rise to 38 per cent.

Mr Shay McKeown, chief executive, said profits from Guzzler were expected to fall to \$1.5m pre-tax this year. It was the one company in the group not performing to budget.

Powerscreen



Guzzler's margins had been eroded by price competition in the contractor market. Federal Signal, which has a street cleaning operation, was in a better position to expand Guzzler in the municipal market, whereas Powerscreen would have had to expand its product range into sweepers and refuse vehicles.

"We don't want to be a conglomerate," said Mr McKeown. The group had decided to concentrate on materials handling, where it has built up international sales of mobile equipment. North America would account for approaching 30 per cent of group turnover even after the Guzzler disposal.

Powerscreen was now expected to have at least \$20m cash in hand at the March year-end. The prime candidate for the next acquisition would be a North American crushing equipment company, preferably involved in the recycling of demolition material or timber.

The UK, which accounted for 29 per cent of first-half sales, would also be an attractive hunting ground. Targets on the Continent tended to look expensive because of the weak pound.

Powerscreen, which has kept profits moving ahead during the recession, is forecast to increase pre-tax profits from £18.5m - on \$98.1m sales - to between \$22m and \$23m this year.

Its share price closed down 1p at 36p yesterday. That compares with 156p at the time of the Guzzler acquisition. The 16.6m shares allotted to the vendor were placed - they are worth £22m compared with less than £10m then.

Standard Platforms makes US disposal

STANDARD Platforms Holdings, the USM-quoted computer hardware and software group, has disposed of its US DocuFile subsidiary to Mr Martin Caniff, its president.

This was the only firm offer received although the company had been in negotiations with three potential purchasers. In the light of the DocuFile disposal, Mr HS Hardy, whose main area of responsibility has been within that company, has resigned from the Standard Platforms board without compensation.

Provision of \$100,000 relating to the disposal has been made in the current interim accounts. For the six months to September 30 there were substantially lower pre-tax losses of £22,673 after the provision, against losses of £471,541.

Turnover more than doubled to \$1.88m (\$849,497), some £165,287 (£24,560) of which related to the discontinued operations of DocuFile.

The directors said that in the first quarter of the second half there had been a downturn in the level of orders received and the lower turnover would have a material adverse impact on the company's trading results for the year.

Losses per share were 0.5p (12.1p). There is no dividend.

£8.9m charge for change of emphasis clears ground for recovery Attack on overheads helps P&P

By Alan Cane

P&P, the personal computer distributor and computing services supplier, is beginning to show the benefits of a determined attack on escalating overheads, with a profit before tax last year of £2.01m, up from £711,000 previously.

The company, however, recorded a net loss for the full year of £7.88m, as a result of taking an extraordinary charge of £8.93m to cover the costs of extricating itself from the distribution of high volume, low-cost personal computers - a business where cost cutting and intense competition have reduced margins to unprofitable levels.

The share price yesterday rose 5p to 41p.

Turnover in the year to November 30 1992 was slightly lower at £222.8m (£228.3m). However, as personal computer prices have been falling at up to 40 per cent a year for the past two years, the bold figures conceal a substantial increase in volume of business.

Earnings per share were more than doubled at 1.3p (0.7p) and a final dividend of 0.7p is declared, making a total of 1.4p (4.3p).

Shareholders' funds remain in excess of £40m, or 72p a share, and the company has net cash of £3m.

P&P has suffered over the past two years through being one of the largest participants in a sector where profit margins have fallen steadily.

It has now taken the step of disengaging itself from the high volume distribution of low cost computers where gross profit margins were only 10 per cent. That leaves it in computing services, with gross profit margins of close to 60 per cent, and in higher value computer products where gross margins of over 20 per cent can be achieved.

The £40m-a-year sales high volume business, comprising relationships with dealers and contracts with manufacturers and P&P itself, will either be sold or run down.

Mr David Southworth, group managing director, said the worst was over. "If we manage cash and overheads for the

next two years, we will do very well."

COMMENT

Mr Southworth is looking a good deal happier these days. The decision to cut away the least profitable part of the business and to take the £8.9m charge for doing so has cleared the ground for recovery and the management team has already shown its competence in coming to grips with costs. Forward profits are difficult to predict in the computer business in the current climate, but it would be surprising if there was not a strong advance on 1992. With a historic p/e of about 23 there seems little reason to quibble with analysts' opinion of a strong buy.

Fleming Overseas net assets up 26%

In the six months since its June 1992 year end, net asset value per share of Fleming Overseas Investment Trust increased 26 per cent from 21.47p to 27.1p. At December 31 1992 assets were £22.5p. Earnings from 1.78p to 2.16p per share. The interim dividend is maintained at 1.5p.

Platon holders urged to take no action

Platon International's board put shareholders on hold yesterday following Monday's bid from Wills Group. Ahead of the announcement, which urged shareholders to do nothing until the directors had considered the offer with their financial advisers, the share price rose to 26p, up 5p on the day.

Mr Robin Meyer, chairman of Platon, will be writing to shareholders in the next few days.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's financials.

TODAY	
Interim - Bailey (CH), Benson, Ebbel, Kalcit, Thompson 1000 Smallcap Co., Fint's, KCC Bank, Kilmont Overseas Inv, Scottish American Inv	
FUTURE DATES	
Interim - Bentley Inv, Compass, FI Group, Gifford, Gleason (RAI), HumePrint, Platan	Mar 4, Mar 10, Mar 22, Mar 2, May 20
Annual - Amrad, Dooding, East German Inv, Fleming (Fleming), HSBC, Perseus, Sakers High-Yielding, Thailand Int Fund	Feb 20, Mar 4, Mar 17, Mar 15, Mar 8, Feb 23, Feb 25

Boustead sale for £4.5m

Boustead, the industrial trading group ultimately controlled by Jack Chia-MPH, the Singapore-based trading company, is selling the holding company of Aircraft Furnishing to BE Aerospace for some £4.5m cash.

Included in the consideration is £531,000 in respect of an inter-company loan.

AFL makes, refurbishes and sells aircraft seats. In 1991 it made pre-tax profits of £44,000 on turnover of £4.7m.

For 1992 unaudited accounts show profits of £541,000 before tax and turnover of £6.59m. Unaudited net assets at December 31 1992 were £1.14m.

The process will be used to reduce borrowings.

COMPANY NEWS IN BRIEF

CABLE AND Wireless has acquired a 40 per cent stake in Beipol, a joint venture set up to build and operate a cellular telephone network in Belarus. C and W's initial investment amounts to some \$7m (£4.6m). CULVER HOLDINGS received acceptances for 5.45m shares (27.3 per cent) in respect of its offer for all the ordinary shares in DG Durham.

ECCEASTICAL INSURANCE Office's revised offer for St Andrew Trust received valid acceptances of 3.92m shares (about 11.42 per cent). In aggregate, Ecclesiastical now has about 58.15 per cent of St Andrew Trust's equity capital. The revised offer is now closed. MERGER CLEARANCE has been received in respect of DCC's Ochil subsidiary's cash offer for Primtech, which has become unconditional. Clearance has also been received in respect of DCC's subsidiary Oare's offer for Wardell

Roberts, which has also been declared unconditional.

OLIVER RESOURCES has received irrevocable acceptances from Kirkland shareholders in respect of 1.42m Kirkland shares (36.8 per cent). Oliver has an interest in a total of 1.53m Kirkland shares (approximately 39.8 per cent).

REDLAND: The disposal of the Steedley brick plant to Cranleigh Brick and Tile Company has been approved by Sir Bryan Canberg, the Director General of Fair Trading. TRAVIS PERKINS has acquired the assets of Rockingham Garden Centre from the receiver for £1.35m. The company's garden centre subsidiary, Kennedys, has 11 centres. Anticipated sales for 1993 are in excess of £10m.

TRIO HOLDINGS: Rights issue taken up or placed as to 19.9m shares (92.3 per cent). The remaining 1.1m shares have been sold in the market.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Flem Enterprise Int	1.3	Apr 2	1.3	-	4.5
Fleming Overseas Int	1.5	Mar 26	1.5	-	4
Manchester Ship Int	4.5	Mar 26	4.5	-	4.5
Waves Int	2.805	Apr 30	2.09	-	3.909
P&P	0.7	May 15	3	1.4	4.33
Reuters	15.9	May 4	12.3	21.2	17

Dividends shown pence per share net except where otherwise stated.

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JAPANESE FINANCIAL MARKETS

The FT proposes to publish this survey on

24TH MARCH, 1993

Japanese markets, like their European counterparts, have been hit by the current world recession. But Japan remains a major economy with enormous potential.

In a special survey the Financial Times reports on the latest developments affecting Japanese financial sectors - a vital perspective for anyone wanting to do business in Japan.

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We trained our lens once again on a fantastically busy world in 1992. Elections produced surprises. Conflicts erupted across the globe. The currency markets were in tumult and our financial customers relied heavily on our news and data.

To our newspaper and broadcasting clients, we delivered stark images of warfare in Bosnia-Herzegovina and the Caucasus, of starvation in Somalia.

It was a year in which we launched revolutionary new services for the financial community, including computerised systems which automatically match buyers and sellers in foreign exchange and other instruments. We expanded our interest in

PRELIMINARY RESULTS

To 31 DECEMBER 1992 (UNAUDITED)

	1992	1991	1990	1989	%
Revenue	1,567.6	2,367.1	1,466.6	2,214.6	+6.9
Pre-tax profit	383.2	578.7	340.3	511.8	+12.6
Taxation	122.6	185.2	110.6	167.0	+10.9
Dividend	89.8	135.7	71.5	108.0	+25.6
Earnings per share (ADS)	61.4p (US\$2.80)	54.7p (US\$2.48)	-	-	+12.9

television by acquiring the 49 per cent of shares we did not own in the television news agency Visnews, now renamed Reuters Television.

REUTERS

Note: The financial information for the year ended 31 December 1991 has been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies. The company's report on these accounts was unqualified and did not contain a statement under section 227 of the Companies Act 1985. Statutory accounts for the year ended 31 December 1992 will be delivered to the Registrar of Companies following the Annual General Meeting on 28 April 1993. For convenience the US dollar equivalents for both years have been converted at US\$1.51, a rate prevailing on 31 December 1992. Each American Depositary Share represents three ordinary shares. Copies of the Preliminary Results from Release can be obtained from the Managing Director, Reuters Holdings PLC, 85 Flec Street, London EC4P 4AJ.

COMMODITIES AND AGRICULTURE

Grass roots opposition threatens exchange merger

By Laurie Morse in Chicago

THE CHICAGO Board of Trade's proposed takeover of the New York Commodity Exchange (Comex) is on the verge of being derailed by a coalition of floor traders who believe the deal unfairly benefits the CBOE.

While clearing firms at both exchanges favour the plan for the cost savings it will provide, floor traders are angry that they have been asked to give up their membership equity and voting rights for yet-to-be-determined benefits of sharing the CBOE name and an alliance with the world's largest futures exchange.

Despite the increasingly institutional nature of futures trading, floor traders still wield the clout in exchange politics and their approval is crucial for the success of the merger plan.

"I think the offer is insulting. It annoys me," says Mr Vince Zuccarelli, a Comex floor trader and one of the take-over's more vocal opponents. "The CBOE wants to buy the Comex without putting up any

funds. In fact, they want to buy the Comex with Comex funds. What is it the Board of Trade is bringing to the party?"

The CBOE has proposed to employ its marketing and administrative expertise to boost Comex trading volume and use funds saved from combining operations to form a trust fund to buy out Comex seats. At a packed meeting at Comex last week, Mr Patrick Arbor, the CBOE Chairman, was pressed for a financial commitment to the Comex, which he proved reluctant to give.

Mr Arbor has since described that meeting as "emotionally charged" and has stuck to his position. "Nothing in this deal is carved in granite," he said, "but there are some things that are deal breakers." Specifically, he said the CBOE was not prepared to cover any potential Comex losses or cost overruns. "Quite frankly, we're businessmen," he said.

The CBOE has sent the plan to a committee of attorneys and accountants. Mr Arbor says it could take 18 months to complete the contract. In the

meantime officials at both exchanges will attempt to sell the plan to Comex members.

Mr Richard Sandor, a derivatives executive at Kidder Peabody and the architect of the takeover proposal, will pitch the benefits of the plan to Comex traders at a meeting this afternoon. He is likely to encounter traders who share Mr Zuccarelli's belief that a merger with a New York exchange is preferable to a long-distance marriage with the CBOE.

New York's five futures exchanges have a history of squabbling with one another. However, the CBOE's take-over bid could force local consolidation even if it fails. If the CBOE plan is refused, another suitor will emerge, predicts Mr Lou Guttmann, chairman of the New York Mercantile Exchange and a Comex member. "Comex cannot continue independently as it has the last several years," he said. Any exchange in the country would be willing to take Comex on the terms proposed by the CBOE, Mr Guttmann added.

NZ polishes apples for Japanese sales drive

By Terry Hall in Wellington

NEW ZEALAND'S apple growers are in a buoyant mood as they pick the new season's fruit. Thanks to the Japanese export outlook has never been rosier.

From June New Zealand looks set to be the first major apple producer in the world to be able to export its fruit to Japan, which has a keen appetite for the fruit. This depends on final acceptance by the Japanese that New Zealand can effectively control various mouth parasites.

New Zealand exporters acknowledge, however, that gaining a sizeable share of this market will not be easy: for a start the Japanese prefer larger, rounder apples of a type they do not now produce, and the condition must be superb. Luckily New Zealand, which has been pioneering new varieties for world markets, believes it could have the answer in an unnamed variety, still known as GS2085. In the meantime exporters hope the Japanese might be persuaded to eat Granny Smiths, Royal Galas, and some other export varieties.

The optimism follows the agreement in principle reached last year on the treatment of New Zealand apple pests. Mr Joe Pope, chief executive of the Apple and Pear Marketing Board, says he is "very confident" that the agreement will soon be formalised. "But it represents a huge challenge. Japan is the most demanding market in the world, and our success there depends only on our ability to perform."

He says that apples are at present a high-priced luxury in Japan. The large blemish-free fruit produced domestically are virtually hand reared: as each apple is grown it is put into a succession of paper bags to protect it. Apples are sold individually, with a family dividing one up between them.

Mr Pope says New Zealand will have to develop varieties for this market, although Royal Gala would seem suitable, as would the new variety GS2085. "That will have considerable potential there," he says.

At present only Korea is permitted to export, tiny quantities of apples to Japan so New Zealand has scored something of a coup. Mr Pope claims. He warns, however, that the US is also working hard at securing a similar agreement with Japan and might be as little as six months behind New Zealand.

Holding the line on farm reform

David Gardner on tough challenges facing the new EC commissioner

MR RENE STEICHEN of Luxembourg, the European Community's new farm commissioner, has taken over the most powerful job in European agriculture at a peculiarly difficult time.

Farmers across Europe are blaming their declining incomes and the continuing exodus from the land on the reform of the Common Agricultural Policy, as well as agreements with the US within the General Agreement on Tariffs and Trade's Uruguay Round world trade negotiations, to cut food export subsidies.

Mr Steichen's predicament is easily summed up. Farmers are in arms against measures - CAP reform and the Gatt settlement - which have not yet been applied. His predecessor, Mr Ray MacSharry of Ireland, won mandates for the most radical overhaul of the CAP in its 30-year history and for averting trade war with the US within an overall farm trade settlement which was arguably beyond the best the EC could hope for.

The new commissioner has none of the glory for these achievements; he merely has to implement them.

He can look forward to brickbats from the farmers for so doing, and sniping from agriculture economists and pundits if he appears to cede any ground to farmers under either the reform or the Gatt trade talks.

As one agriculture official at the European Commission puts it, "after last year things are as



Rene Steichen: taking on the job at a difficult time.

tight as they ever could be, and anything that happens under Steichen will only loosen them."

Mr Steichen is alive to this danger. "They say I'm a Trojan Horse for France," he remarks with certain amusement. It is France's militant farmers and its unpopular Socialist government, which is desperate to placate them, who have proved most determined to block a Gatt deal and pick away at the CAP reform.

Certainly France, the EC's agricultural superpower, was uncomfortable with the abrasive Mr MacSharry. The Irishman took a firm hold on Directorate-General VI - the powerful Brussels agriculture department previously considered an outpost of the Paris farm ministry - and ruthlessly faced down a succession of French agriculture ministers who were convinced they

would get their way until the moment of defeat.

"It's not clear," one senior commission official says, "whether Steichen can make his own views DG VI's views." He adds that despite the new commissioner's own agricultural policy background, his personal staff is top-heavy with generalists - although headed as *chef de cabinet* by Mr Jim Cloos, the highly-regarded former Luxembourg ambassador to the EC.

Mr Steichen, a 50-year-old French-educated solicitor and Christian Democrat, looks as though he will be more mollified. He joined the Luxembourg cabinet in 1984 as state secretary for agriculture, taking over as minister from 1988. He comes across as relaxed, with a light touch, and quick to smile. He chaired the farm council with ease during the stormy first half of 1991, when Mr MacSharry presented his reform to universal vituperation. From France's point of view, it is a welcome change that he speaks French. One of his top aides says that if Mr MacSharry was the man needed to bludgeon reform through, Mr Steichen is more the sort of man needed to put reform to work.

The commissioner insists he will be in regular contact with all EC national farm organisations; last Friday he left officials from Britain's National Farmers' Union with the impression he was more accessible and receptive than Mr MacSharry.

But in presenting this year's farm price package, Mr Steichen has already signalled that he is no soft touch. His underlining that there would be no extra money to buy off national farm interests could almost have been designed for France, which still pushing for bigger off-sets to the price, output and export cuts in the CAP and Gatt packages.

A running sore for months to come will be the commission's efforts to demonstrate, over protestations led by France and Ireland, that the cuts required under the Gatt deal are compatible with the CAP reform.

Mr Steichen nailed his colours to the mast in a keynote speech last month. "The figures I have show that, overall, the concessions made by the EC (within the Gatt) - and the ones made to us as well, which we too often forget - are within the framework of the reform and guarantee the security" of the CAP.

Like Mr MacSharry, he believes the EC-US deal on farm trade means international recognition of the CAP. He is anxious to wrap up the oil-seeds agreement with the US quickly, and for an early conclusion to the Uruguay Round of Gatt negotiations, in order to shore up these agreements. For without that recognition, all the community's main commodity regimes would be vulnerable to challenge through the Gatt. And that, in the longer run, could mean curtains for the CAP, reformed or unreformed.

India sanctions more cotton sales

By Kunal Bose in Calcutta

THE INDIAN federal government has sanctioned an additional cotton export quota of 500,000 bales (170 kg each) for the cotton season which began in September 1992.

Earlier, anticipating a bumper cotton crop and, consequently, a domestic price collapse, the government released 10 bales for export.

Officials say that the only way domestic cotton prices can be maintained at above the recommended minimum level is by stepping up exports. World prices for cotton are higher than Indian prices by at least 10 per cent at present.

In 1991-92 India imported 300,000 bales of cotton.

Norwegian oil reserves estimate raised by 12%

By Karen Fossell in Oslo

THE NORWEGIAN Petroleum Directorate, the industry watchdog, has upgraded its estimate of recoverable reserves from the country's continental shelf by 12 per cent to 10bn tonnes of oil equivalent.

The previous assessment, released in 1988, was by far the most pessimistic prognosis on Norway's future prospects as a leading petroleum nation ever issued. But it has proved far off the mark.

The directorate then predicted that there was limited sales potential for Norway's vast natural gas resources. But it now seems that Norway's gas sales to the European con-

tinued could more than double from the present annual level of 26bn cubic metres to about 60bn-70bn cu m by the turn of the century.

About 11 per cent, or 1.13bn tonnes of the resources have been produced and sold, the directorate says, and existing production technology will allow for about 4.5bn tonnes of remaining discovered resources to be extracted. Of this, 40 per cent is thought to be oil and 60 per cent gas.

At the current annual extraction rate of 80m tonnes, oil resources will last another 45 years while gas resources will last for about two centuries at an annual production rate of 25m tonnes.

He says that apples are at present a high-priced luxury in Japan. The large blemish-free fruit produced domestically are virtually hand reared: as each apple is grown it is put into a succession of paper bags to protect it. Apples are sold individually, with a family dividing one up between them.

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Minority group may block banana plan

By David Gardner in Brussels

THE EUROPEAN Commission was bracing itself for a potentially embarrassing upset last night, as signs emerged that a minority of European Community member states led by Germany might block the controversial agreement reached last December setting quotas and tariffs on banana imports from Latin America.

Germany and Denmark held out against the agreement in December, when it was passed by a qualified majority vote. Since then, however, new objections have been raised by the Benelux countries. If all five countries combined, they would have enough strength under the EC's weighted voting system to block the measure.

The new regime, which is scheduled to be agreed by the end of this month and to start operating on July 1, fixes a 2m tonnes quota for Latin America, so-called "dollar bananas",

at a reduced duty of Ecu100 (Ecu2) a tonne, and imposes an Ecu850 tariff - about 10 per cent - on imports above this level.

Eight Latin American governments immediately expressed their "absolute rejection" of December's agreement in principle, and said they would challenge it through the General Agreement on Tariffs and Trade.

The EC move is intended to unify the community's disparate banana regime in line with the principles of its single market; protect high-cost "Euro-banana" producers from former colonies and outlying territories like Spain's Canary Islands and French Martinique; and bring its system of protection into line with the Gatt's Uruguay Round trade reform negotiations, which require tariffs on all farm produce, which subsequently can be reduced.

The EC countries hostile to the plan consume the bigger

and cheaper Latin American bananas, but had been expected to go along with the plan in the light of these three exigencies.

"We hope the political commitments entered into in December still stand," said a senior official from the UK, which was then holding the presidency of the EC and so brokered last December's deal.

As community farm ministers met yesterday, the odds were nevertheless perceived to be slightly against a blocking minority coalescing.

Denmark, as current president of the EC, was expected to stay out of the dispute, since the presidency's primary goal is to conciliate. Mr Rene Steichen, the new farm commissioner, may have some influence in restraining his native Luxembourg, whose agriculture minister he was until January.

Germany, moreover, senior commission officials argue, appears under the impression

that the 2m tonnes quota is semi-fixed, whereas the commission's intention is to adjust it on at least a monthly basis in line with demand.

Germany, its allies, and the Latin Americans complain, however, that the quota is well below the 2.4m tonnes of dollar fruit the EC imported in 1991, equivalent to two thirds of total consumption. There is further controversy about plans to allocate a third of dollar fruit licences to traditional Euro-banana importers, enabling them thereby to cross-subsidise their own operations.

However, Latin American imports surged by a third between 1988 and 1991, in what the commission describes as "speculative imports" by exporters positioning themselves for the EC single market, which started up last month.

Ministers were not expected to vote on the controversy until today.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.6 per cent, \$ per tonne, in warehouse, 1,665-1,710 (1,670-1,710).

BISMUTH: European free market, min. 99.99 per cent, \$ per lb, in warehouse, 2,300-2,400 (same).

CADMIUM: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 0.40-0.50 (same).

COBALT: European free market, 99.5 per cent, \$ per lb,

in warehouse, 15.50-16.00 (14.90-15.50).

MERCURY: European free market, min. 99.99 per cent, \$ per 70 lb flask, in warehouse, 120-145 (same).

MOLYBDENUM: European free market, drummed molybdenic oxide, \$ per lb, in warehouse, 1.85-1.95 (same).

SILICON: European free market, min. 99.5 per cent, \$ per lb, in warehouse, 4.70-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65

per cent, \$ per tonne unit (10 kg) WO₃, cif, 38-48 (40-50).

VANADIUM: European free market, min. 98 per cent, \$ a lb V₂O₅, cif, 1.65-1.70 (1.70-1.80).

URANIUM: Nuxco exchange value, \$ per lb, U₃O₈, 7.65 (7.85).

LME WAREHOUSE STOCKS (As at Monday's close)	
Aluminium	+2,250 to 1,635,025
Copper	+1,200 to 317,375
Lead	+50 to 233,000
Nickel	+450 to 78,818
Zinc	-450 to 533,325
Tin	-20 to 18,555

WORLD COMMODITIES PRICES

MARKET REPORT

Robusta COFFEE prices closed down heavily at the London Future's and Options Exchange in the wake of Monday night's late 5 cent fall in the New York arabica market. London continued to be less volatile than New York, partly because of lower fund participation. New York prices fell further in early trading on renewed technical selling, but later were recovering some of the losses. London dealers said the market remained very edgy. Technical factors were still driving prices, with fundamental influences pushed firmly into the

background. On the LME ALUMINIUM and NICKEL prices, which touched respective five and four-week highs, gave up some of the gains by the close as the higher levels attracted profit-taking. Dealers said the strength of both metals appeared to be technically motivated, with little news or physical activity to justify advances. On Nymex PALLADIUM futures were hovering near life-of-contract highs at midday as widespread worries over near-term supplies remained the dominant factor. Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB) (Mar) + or -

Dubai \$15.90-5.95 +1.10
Brent Blend (dated) \$16.28-8.32 -1.95
Brent Blend (Mar) \$16.29-8.37 -1.95
WTI (1st oil well) \$23.03-0.27 -1.95

Oil products
(NWE prompt delivery per tonne CIF) + or -

Premium Gasoline \$19.12-1.92
Gas Oil \$17.72-1.74 -1.0
Heavy Fuel Oil \$7.72-1.74 -1.0
Naphtha \$17.72-1.74 -1.0
Petroleum Argus Estimates

Other + or -

Gold (per troy oz) \$328.15
Silver (per troy oz) \$39.50 +2.00
Platinum (per troy oz) \$362.50 +2.65
Palladium (per troy oz) \$115.45 +2.25

Copper (US Producer) 104.50
Lead (US Producer) 32.50
Tin (Kuala Lumpur market) 14.97 -0.03
Tin (New York) 260.00 -1.0
Zinc (US Prime Western) 82.00

Cattle (live weight) 121.11p
Sheep (live weight) 101.73p
Pigs (live weight) 81.51p +0.48

London daily sugar (raw) \$37.8 -0.8
London daily sugar (refined) \$39.5 -0.1
Yao and Lyle export price \$25.0 +1.5

Barley (English feed) £137.75z
Maize (US No 3 yellow) £165.0
Wheat (US Dark Northern) Unq

Rubber (Mar) 60.25p +0.50
Rubber (Apr) 60.50p +0.50
Rubber (LRS No 1 Feb) 57.00m -0.5

Cocoa (US Philadelphia) \$440.00 -7.5
Cocoa (US Philadelphia) \$420.00 -7.5
Cocoa (US Philadelphia) \$395.00 -7.5
Soybeans (US) \$184.50 +3.5
Cotton "A" index 60.00z -0.25
Wooltops (44 Super) 40.0p

COTTON

Upward - Spot and shipment sales amounted to 713 tonnes for the week ended February 5, compared with 129 tonnes in the previous week. Renewed purchasing in many specialist styles attracted much attention. C&S and American qualities as well as Tanzanian and Syrian growths moved off freely.

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COCOA - London POX

Close Previous High/Low

Mar 712 702 713 701
May 724 713 724 712
Jul 737 727 738 727
Sep 752 742 753 742
Dec 772 762 773 761
Mar 791 782 792 782
May 808 797 809 797
Jul 821 812 822 811
Sep 836 826 837 827
Dec 851 841 852 842

Turnover: 4702 (3717) lots of 10 tonnes
ICO indicator prices (5000 per tonne). Daily price for Feb 5 705.10 (705.24) 10 day average for Feb 5 718.89 (724.68)

COFFEE - London POX

Close Previous High/Low

Mar 876 867 880 854
May 873 818 878 853
Jul 882 838 884 840
Sep 884 814 871 847
Nov 874 852 878 859
Dec 882 852

Turnover: 2529 (2542) lots of 5 tonnes
ICO indicator prices (5000 per tonne) for Feb 5 855.20 (857.18) 15 day average 855.25 (857.18)

POTATOES - London POX

Close Previous High/Low

Apr 43.8 44.0 44.0 43.0
May 45.5 45.8 45.8 45.5
Turnover: 128 (317) lots of 20 tonnes

SOYABEANS - London POX

Close Previous High/Low

Jun 147.00 146.50 147.00
Aug 148.50 147.50 148.50
Turnover: 60 (187) lots of 20 tonnes

FRIEDRICH - London POX

Close Previous High/Low

Feb 1345 1330 1345 1332
Mar 1355 1335 1355 1345
Apr 1345 1325 1355 1325
May 1355 1335 1355 1325
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GRAINS - London POX

Close Previous High/Low

Mar 143.25 143.25 143.50 143.20
May 144.50 144.50 144.50 144.50
Jul 143.45 143.45 143.45 143.45
Sep 143.45 143.45 143.45 143.45
Dec 143.45 143.45 143.45 143.45

BARLEY - London POX

Close Previous High/Low

Mar 135.15 135.05 135.40 135.15
May 135.15 135.05 135.40 135.15
Jul 135.15 135.05 135.40 135.15
Sep 135.15 135.05 135.40 135.15
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LONDON METAL EXCHANGE

Close Previous High/Low AM Official

LONDON STOCK EXCHANGE

Cash call fears return to haunt shares

By Terry Byland,
UK Stock Market Editor

A LONDON stock market badly unsettled by weakness in sterling and a host of corporate deals suffered a further setback in late trading yesterday on renewed fears that a large rights issue was about to hit the trading desks. Several of Britain's biggest companies, all due to report profits shortly, were named as possible raisers of equity in the £1bn-plus range.

Confidence in prospects for a further rise in UK base rates at Budget time was challenged by the continued weakness in sterling. Fears that the pound's fall implies renewed inflationary pressure were fuelled by the announcement yesterday that UK producer input prices had jumped by 1.5 per cent in the month to January, significantly more than predicted in the market.

A firm opening in equities was reversed when two UK investment houses began to sell the FT-SE March futures contract heavily. At worst the stock market showed a loss of more than 43 points on the Footsie close.

The Dow Average fell 13 Dow points to 4,000 and any

benefits for UK equities from a very modest rally in sterling were blotted out by the rights issue rumours.

The FT-SE 100 Index closed

38.7 points down at 2,831.3 with selling pressure increasing at the end of the day. The FT-SE Mid 250 lost 31.6 to 3,019.5. Seagull volume increased sharply to 694.9m shares from the 545.7m of the previous session, when retail business remained robust at a worth of £1.03bn. Non-Footsie business made up 61 per cent of Seagull trading yesterday.

Fund managers' caution on

rights issue fears was heightened by the prospect of trading statements from virtually all the big Footsie names over the next few weeks. Yesterday brought further calls on institutional cash holdings in the shape of a placing of Johnson Matthey shares following sale of part of the stake held by Charter Consolidated, and a £150m Euro convertible issue from Sun Alliance European

institutions faced a French franc convertible from Amx, the insurance group.

Taking in rights issues already announced, some £1.2bn has now been taken out of the equity market since Christmas, and managers fear that impending rights issues alone could mean a drain of £5bn to £6bn.

Only the oil and the water stocks stood out against the

general run in share prices. Oil shares benefited from hopes that the Opec countries will agree on production cuts, while water stocks responded to hints of favourable regulatory developments.

But across the rest of the market, there were few safe havens from the profit-takers. Property, building construction and stores shares all boosted recently on interest rate hopes, turned down sharply.

The banking sector, which opens its reporting season this week, shied away from rights issue worries. Food retailers suffered yet further selling on taxation concerns and brewing stocks ran into sellers.

The outlook for this morning's opening appeared unfavourable, with the only comfort coming from the stock index futures market, where the March contract on the Footsie bounced in late trading. Much will depend on whether the stock market is spared a rights issue announcement in the first half of the trading session.

Account Dealing Dates

First Dealing: Feb 15 Mar 1

Second Dealing: Feb 22 Mar 8

Third Dealing: Feb 29 Mar 15

Fourth Dealing: Mar 5 Mar 19

Fifth Dealing: Mar 12 Mar 26

Sixth Dealing: Mar 19 Mar 31

Seventh Dealing: Mar 26 Apr 7

Eighth Dealing: Apr 13 Apr 24

Ninth Dealing: Apr 20 May 1

Tenth Dealing: May 6 May 17

Eleventh Dealing: May 13 May 24

Twelfth Dealing: May 20 May 31

Thirteenth Dealing: May 27 Jun 7

Fourteenth Dealing: Jun 13 Jun 24

Fifteenth Dealing: Jun 20 Jun 30

Sixteenth Dealing: Jun 27 Jul 7

Seventeenth Dealing: Jul 13 Jul 24

Eighteenth Dealing: Jul 20 Aug 1

Nineteenth Dealing: Aug 6 Aug 17

Twentieth Dealing: Aug 13 Aug 24

Twenty-first Dealing: Aug 20 Sep 1

Twenty-second Dealing: Sep 6 Sep 17

Twenty-third Dealing: Sep 13 Sep 24

Twenty-fourth Dealing: Sep 20 Oct 1

Twenty-fifth Dealing: Oct 6 Oct 17

Twenty-sixth Dealing: Oct 13 Oct 24

Twenty-seventh Dealing: Oct 20 Nov 1

Twenty-eighth Dealing: Nov 6 Nov 17

Twenty-ninth Dealing: Nov 13 Nov 24

Thirtieth Dealing: Nov 20 Dec 1

Thirty-first Dealing: Dec 6 Dec 17

Thirty-second Dealing: Dec 13 Dec 24

Thirty-third Dealing: Dec 20 Jan 1

Thirty-fourth Dealing: Jan 6 Jan 17

Thirty-fifth Dealing: Jan 13 Jan 24

Thirty-sixth Dealing: Jan 20 Feb 1

Thirty-seventh Dealing: Feb 6 Feb 17

Thirty-eighth Dealing: Feb 13 Feb 24

Thirty-ninth Dealing: Feb 20 Mar 1

Fortieth Dealing: Mar 6 Mar 17

Forty-first Dealing: Mar 13 Mar 24

Forty-second Dealing: Mar 20 Apr 1

Forty-third Dealing: Apr 6 Apr 17

Forty-fourth Dealing: Apr 13 Apr 24

Forty-fifth Dealing: Apr 20 May 1

Forty-sixth Dealing: May 6 May 17

Forty-seventh Dealing: May 13 May 24

Forty-eighth Dealing: May 20 Jun 1

Forty-ninth Dealing: Jun 6 Jun 17

Fiftieth Dealing: Jun 13 Jun 24

Fifty-first Dealing: Jun 20 Jul 1

Fifty-second Dealing: Jul 6 Jul 17

Fifty-third Dealing: Jul 13 Jul 24

Fifty-fourth Dealing: Jul 20 Aug 1

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Fifty-sixth Dealing: Aug 13 Aug 24

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Sixtieth Dealing: Sep 20 Oct 1

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Hundredth and fourteen Dealing: Oct 6 Oct 17

Hundredth and fifteen Dealing: Oct 13 Oct 24

Hundredth and sixteen Dealing: Oct 20 Nov 1

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AMERICA

Weak foreign bourses undermine equities

Wall Street

LOSSES on overseas equity markets, weaker domestic bond prices and continued consolidation of recent gains left US stocks weaker across the board yesterday, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 13.23 at 3,424.31. The more broadly based Standard & Poor's 500 was also lower at the half way stage, down 1.98 at 445.67, as were the Amex composite, down 1.31 at 415.35, and the Nasdaq composite, down 3.27 at 695.17. Trading volume on the NYSE was 138m shares by 1 pm.

Picking up where they left off late on Monday, US investors began selling stocks yesterday morning. News of weakness in foreign markets, including Tokyo, Frankfurt and, especially, London, set the tone for a downbeat opening.

Lower US Treasury prices - a nervous reaction ahead of the week's big auctions of government securities - and some profit-taking in the wake of last week's record-setting gains only exacerbated the downward trend.

Among individual stocks, the last batch of fourth quarter earnings reports trickled in. Whirlpool jumped 2 1/2% to \$51 1/2 in busy trading after the company unveiled final quarter 1992 net income of \$62m, up from \$40m a year ago in spite of a pre-tax restructuring charge of \$18m. Whirlpool also announced that its financial unit would be withdrawing from its aerospace and most of its commercial financing activities.

Goodyear Tire & Rubber eased 3/4% to \$7 1/2 on news of a small improvement to \$102.5m in fourth quarter income, before extraordinary items. After accounting for the early retirement of debt, however, Goodyear's net income dropped from \$105m a year ago to \$87.5m - a figure in line with market expectations.

Sears, Roebuck held firm at \$49 1/2 in solid two-way trade after the giant retailing group announced a net loss of \$1.8bn in the fourth quarter in the wake of a number of significant special items. If the impact of those items were ignored, Sears' income from continuing operations rose from \$433.6m a year ago to \$504.2m.

News Corporation jumped 1 1/4% to \$40 1/2 on the news that the multinational media and entertainment group's operating income for the second fiscal quarter had risen from \$7 cents a share a year ago to 91 cents a share.

Among leading industrial stocks, IBM bucked the trend, rising 1 1/4% to \$54 1/2 in volume of 1.7m shares, making it the most heavily traded stock of the morning session. Other big computer stocks were also firmer, with Digital Equipment up 1 1/4% at \$43 1/2, Compaq 5/8% higher at \$49 1/2 and Hewlett-Packard up 3/4% at \$67 1/2.

Canada

TORONTO recovered from early weakness at midday as optimism over falling rates and an economic recovery lifted shares. The TSX-300 index rose 2.37 to 3,397.20 in 36m shares.

News that the Bronson-controlled Noranda Forest had spun off its stake in MacMillan Bloedel took Noranda in the lead, rising 1 1/2% to \$19 1/2 in heavy turnover of 1.95m shares, while MacMillan slid 1/4% to \$16 1/2 in 1.15m shares.

EUROPE

Stockholm takes comfort from Ericsson

ERICSSON gained 5.4 per cent yesterday after releasing 1992 results which exceeded most analysts' forecasts, writes Our Markets Staff.

STOCKHOLM took new life after the Ericsson results, lifting the B shares by SKR18 to SKR208 and the A shares by SKR18 to SKR208. Turnover was SKR1.2bn after SKR1.2bn on Monday, with Ericsson accounting for some SKR941m.

Profit-taking affected some other issues after recent gains: Volvo B lost SKR1 to SKR355 and Skanska B fell SKR3 to SKR88. Electrolux B improved SKR5 to SKR24.

OSLO rose 3.1 per cent to its highest close of the year as investors were encouraged by lower interest rates. The all-share index rose 12.23 to 401.86 in turnover of NKR455.8m.

Helsinki, which reported good 1992 earnings on Monday, advanced NKR5.00 in the B shares to NKR151.00.

COPENHAGEN extended its slide, depressed by high interest rates, the KFX index losing another 1.36 to 92.10. Den Danske Bank fell DKR6.27 to DKR285 after solid gains in recent weeks and Sophus Berendsen was DKR13 lower at DKR115, affected by the fall in

FT-SE Actuaries Share Indices

February 9		THE EUROPEAN SERIES									
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	1992 High	1992 Low	Year (approx)
FT-SE Europe 100	1125.56	1126.30	1126.32	1124.94	1125.99	1124.93	1124.14	1124.14	1130.11	1117.78	1117.40
FT-SE Europe 200	1180.11	1179.78	1179.18	1177.43	1177.57	1177.46	1176.17	1177.40	1185.21	1163.50	1165.59
FT-SE Europe 300	1131.12	1129.92	1129.92	1127.35	1127.35	1127.35	1127.35	1127.35	1131.12	1117.25	1115.59
FT-SE Europe 400	1131.12	1129.92	1129.92	1127.35	1127.35	1127.35	1127.35	1127.35	1131.12	1117.25	1115.59

sterling. HELSINKI closed higher on a fall in domestic interest rates, the Hex index rising 1.15 to 911.0.

FRANKFURT eased, but chemicals improved as the DAX index closed 5.58 lower at 1,541.58 in turnover down from DM5.4bn to DM5.8bn.

PARIS saw the neglected stock among the big three over the past year or two, led the sector yesterday with a rise of DM2.40 to DM227, Bayer adding DM1.10 to DM275.60 and Hoechst a modest 30 pf to DM264.30.

HOARE GOVETT said this week that BASF had "considerable potential" for a positive dividend surprise, and cyclical recovery prospects but that recovery was not the main reason for the stock's rise. BASF was overvalued after a long run of relative strength on the dollar.

Meanwhile, AMB defied the

Chargours improved FF7 to FF71.369 on news that it might increase its stake in BSKY8, the UK satellite operator, and Bouygues shed FF76 to FF76.34 on taking a 26 per cent shareholding in a South African building group.

AXA, which fell sharply after it announced a FF7.6bn convertible bond issue after the Monday's close, lost FF28 to FF71.114, while Total slipped FF73.70 to FF7235.60 on 1992 figures which were generally in line with expectations.

ZURICH consolidated after last week's gains and the SMI index eased 1.5 to 2,135.7.

NESTLE beaters were unchanged at SF71.085 as it announced the sale of parts of its Perrier mineral water operations to SAI, French parent company of the Castel group.

MILAN marked time after its recent strong run as trading fell off ahead of the close of the monthly trading account next Monday. The Comit index fell 9.44 to 489.88. Fiat set the tone, fixing L163 lower at L4.686 and falling to L4.615 after hours.

Banco di Roma, L44 higher on Monday, rose another L39 to fix at L2.049 after trading up to L2.060 amid renewed speculation about the bank's

privatisation.

AMSTERDAM saw currency sensitive stocks fall back as the CBS General Index closed down 0.1 at 97.5. Elsevier and Unilever were affected by weaker sterling, declining by FI 2.10 and FI 1.20 respectively to FI 126.00 and FI 136.40.

AKZO and DSM reversed the trend with gains of FI 1.20 and FI 1.50 respectively to FI 144.20 and FI 174.90.

MADRID dropped on gloomy economic news and futures-related selling. The general index lost 4.14 to 335.03, reflecting profit-taking after last week's gains, and higher unemployment and lower economic growth.

ATHENS put on another 6 per cent with the banking sector leading the way, mainly on strong domestic buying. The index rose 48.44 to 882.07 in turnover estimated at some DR5.6bn, up from Monday's DR3bn and well ahead of the average daily figure of DR1.6bn.

TEL AVIV closed sharply lower in active trading in reaction to comments by the Bank of Israel governor, Mr Jacob Frenkel, warning that the market was a "bubble". The blue chip index fell 4.8, or 2.2 per cent to 213.37, its first loss after seven consecutive gains.

Seoul awaits new stimuli after late rally in 1992

John Burton on the recent recovery in South Korea

THE recent cut in South Korea's official interest rates is expected to have mixed effects on the Seoul equity market this year.

Most analysts believe that the cut will lay the foundation for a recovery in the second half of the year as economic conditions improve, although it will not match the gains which the market has achieved in the past six months.

The immediate result has been profit-taking, and a fall in the Korea Composite index from a January 9 high of 709.77 to yesterday's 675.33. The market had already anticipated the interest rate cut, rising by 55 per cent from last year's low.

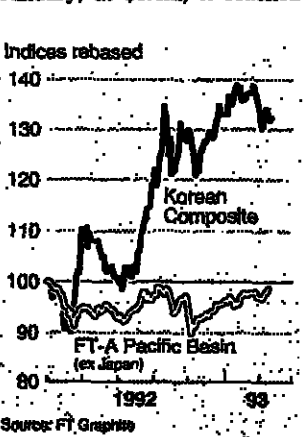
The rise in share prices also reflected investor confidence in the country's political stability following the mid-December election of Mr Kim Young-sam of the ruling Democratic Liberal Party as the country's next president. Expectations that the economy will rebound this year after a dismal 1992 was another reason for the advance.

There are predictions that the market will reach the 800-point level later this year after a sluggish first half. "The recent downturn in share prices is natural given the highly speculative nature of the Seoul market," says Mr Andrew Holland, research director for Barclays de Zoete Wedd in South Korea, but falling interest rates are expected to encourage the placing of more funds in the liquidity-driven equity market, as bonds become less lucrative.

More foreign money is also expected to flow into the Seoul bourse if the government keeps its promise of increasing the foreign investor ceiling from the current 10 per cent to 15 or 20 per cent later this year. The

foreign shareholding limit has been filled for about 10 per cent of the 691 companies listed on the exchange.

Foreigners made a net investment of \$2.07bn in the market in 1992, the first year the bourse was open to direct investment from abroad. Foreign investment could double this year due to the expanded foreign shareholding quota; in January, at \$476m, it reached



its highest ever monthly total.

The relaxation on foreign investment controls should coincide with an improvement in earnings, as lower interest rates reduce the financial costs of Korea's overleveraged companies. The Ministry of Finance estimates that falling interest rates will reduce total corporate financial expenses by Won3,000bn (\$3.7bn); analysts predict that earnings will increase by 10 to 20 per cent.

The interest rate cut is considered a preliminary step to several stimulative measures the new government will take this year to boost economic growth. Officials hope to achieve GNP growth of 6 per cent in 1993, against an estimated 4.5 per cent last year, the worst economic perfor-

mance since the 1980 recession.

Several large infrastructure projects could boost the share price of construction stocks, while lower interest rates may benefit financial shares.

Investor interest in small and medium-sized companies is expected to recover: the state plans to provide more credit to these concerns to prevent a further wave of the bankruptcies which reached a near-record level last year.

Bank shares may also be bolstered as the government unveils proposals mid-year about a restructuring of the financial industry which could include plans for bank mergers.

Analysts warn, however, that the bourse is likely to peak at around 800, as institutional investors sell a large overhang of securities which they acquired in 1990 when the market was last at that level.

An administrative guideline introduced last August - requiring institutional investors to buy more stock than they sell - has so far prevented them from disposing of their share surplus. But this market-boosting measure is unlikely to be extended by the government past May or June.

An expected increase in share offerings to take advantage of an expiring corporate tax deduction could also soak up liquidity and depress prices.

Another possible adverse factor is interest rate deregulation. Most lending and deposit rates are scheduled to be freed this year, which is expected to drive up interest rates in the short term. Although industry generally considers interest rate reform essential to its future prosperity, the immediate effect may be to curb the market's climb.

ASIA PACIFIC

Japanese exporters sold after rise in yen

Tokyo

A SHARP rise in the yen against the dollar prompted selling in export-related issues and share prices lost ground as cautious investors refrained from activity, writes Emilio Terazono in Tokyo.

The Nikkei average shed 259.46 to 17,022.27, having opened at the day's high of 17,281.56. The index recorded the day's low of 16,978.72 in investment trust and arbitrage selling in the afternoon before recovering to the 17,000 level on buying by corporate investors at the end of the session.

Volume declined to 190m shares from 203m. Losers led gains by 769 to 183, with 165 issues up and 183 down. The top index of all first section stocks lost 13.49 to 1,396.10 and in London, the ISE/Nikkei 50 index eased 0.92 to 1,046.93.

Equities initially met selling from investment trusts and arbitrageurs, before the yen jumped against the dollar on reports that Mr Fred Bergsten, director of the Institute for International Economics, of the US, had said at a seminar in Kyoto that the desirable range for the yen was Y100 to Y110 against the dollar. Reports that European Community leaders were calling for a reduction in Japan's trade surplus also accelerated buying of the yen.

The currency rose to an intraday high of Y121.95 against the dollar, before closing at Y122.35. The dollar fell below the Y122 level for the first time since October 28 last year.

Isuzu Motors, the day's most active issue, slipped Y7 to Y374 on profit-taking by dealers.

SOUTH AFRICA

CONTINUED foreign demand for gold shares helped to underpin a broad Johannesburg advance and the golds index climbed 23 to 891. The overall index rose 22 to 3,474 and industrials moved ahead 27 to 4,609.

while shares bought on the "restructuring theme" also declined as investors took profits. Oki Electric receded Y15 to Y395 and Nissan Chemical retreated Y5 to Y750.

High-technology exporters lost ground on earnings worries due to the higher yen. Fujitsu weakened Y12 to Y647, NEC Y15 to Y637 and Hitachi Y14 to Y707.

Uni-Charm, leading diaper maker, appreciated Y30 to Y1,730 on hopes of a 40 per cent rise in pre-tax profits for the current year to March.

Dainippon Screen, a precision machinery maker, posted its third consecutive advance, rising Y13 to Y653. Individual investors sought the issue on hopes of strong sales for its semiconductor manufacturing

equipment and liquid crystal displays.

In Osaka, the OSE average dipped 164.97 to 18,496.56 in volume of 59.5m shares.

Roundup

TRADING was quiet throughout much of the region, although Sydney provided a bright spot.

AUSTRALIA moved sharply higher after Prime Minister Paul Keating announced plans to cut company tax from 39 per cent to 33 per cent; subsequent profit-taking pared the gains.

The All Ordinaries index, which rose 50 points to a six-month intraday high of 1,609 on the government's state aid, ended 24.5 up at 1,583.9 in heavy turnover of A\$486.6m.

The other highlight of trade was an A\$1.90 rise by News Corporation at A\$29.90 after touching a record A\$31.18 on announcing interim net profits up 27.5 per cent.

HONG KONG saw some early excitement which took the Hang Seng index more than 20 points higher on reports, subsequently denied, that China and Britain would resume talks on the colony's future next month.

Later trading lacked impetus and the index eased back to end just 2.87 ahead at 5,789.52 in thin volume of HK\$15.7bn.

SINGAPORE was modestly firmer after a quiet day as investors awaited details of the government's proposed goods and services tax, announced after the market closed.

The Straits Times Industrial index gained 8.79 at 1,634.52 as late bargain hunting reversed early losses.

KUALA LUMPUR edged lower on profit-taking after the recent surge. The composite index lost 1.63 to 639.97.

A two-day meeting of Malaysia's hereditary rulers, beginning today, over constitutional amendments to remove their legal immunity also made investors cautious.

Technology Resources rose 30 cents to M\$2.09 in turnover of 35.4m shares after news that it will distribute shares in its Malaysian helicopter unit free to shareholders.

BOMBAY climbed again on speculative pre-budget buying, the BSE index finishing 59.53 stronger at 2,771.88.

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